

# CURRENT HISTORY

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## The Fall of Britain's Labor Government

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THESE are as many explanations of the political and economic emergency that arose in Great Britain in August as there are political and economic points of view. Yet since its occurrence the nation seems to have divided roughly into two camps of such a character that as safe a generalization as any would be to describe the events as the failure of British Labor to maintain the standard of living and the social services which it possessed in 1920 and which it has fought hard to defend ever since. The causes of the failure were not confined to domestic affairs.

Great Britain has to trade to live. Her 46,000,000 people (80 per cent urban) import 60 per cent of their food, as well as other materials. In the period 1924-29 exports paid only 69 per cent of the import account, the deficiency being made up by in-

come from financial commissions and services and investments abroad. Lombard Street's word has proverbially been as good as its bond, and confidence bred from that assurance has made it something analogous to a great international bank of deposit. Huge funds from other countries have sought the security and low interest rates available in London, and London, like a bank, has made its profit by its skill in selecting more remunerative employment for those funds elsewhere. Britain "borrowed short and lent long." Trade and credit, then, were the most sensitive elements in the national economy, and their sensitiveness must be kept in mind as a continuous conditioning factor in what has happened.

Since 1920 the United Kingdom as a whole has tried desperately to resume the economic and social rhythm

of 1913, but as the years have passed the legacies of the war have assumed their quasi-permanent forms and have defeated the effort. The extraordinary international depression of 1929-31 brought all Britain's problems into high relief to defeat, at least temporarily, the compromise solutions with which they had been met for ten years. One of the compromises was the minority Labor Government whose term of office began about four months before the depression. It failed at last to win enough outside support for its admittedly odious task of guiding the country in such times as these.

Among the more obvious factors which destroyed the Labor Government the war debt undoubtedly looms largest, for no burden like it has been faced by Great Britain since the days of Napoleon. The national debt is now about \$35,000,000,000. The debt meant not only heavy but widely-felt taxation, since two-thirds instead of the former one-half had to be raised by direct means. Less apparent at first was the fact that the debt had to be repaid in a medium of exchange which in goods value was much higher than in the war years when the debt had been incurred. The post-war decline in commodity prices, greatly accelerated since 1928, also added an ever-increasing fraction to the burden. Moreover, two actions of Great Britain have, as it were, anchored the debt problem where it is. The war debt to the United States was funded in 1923 on what would have been approximately normal pre-war terms, and in April, 1925, the pound sterling, which had at one time depreciated by 25 per cent, was stabilized at its pre-war parity. The rest of Europe made its debt settlements on a basis of "capacity to pay" and stabilized its currency at twenty per cent or less of its old value.

In 1815 Great Britain shouldered her war debt successfully because she could tax an ever-expanding industry and trade. In 1920 industry and trade

were impaired by weakened foreign markets and by enormously increased competition from the United States, and even from a British dominion like Canada. Taxation in these circumstances might easily be so great as almost to destroy Britain's international competitive ability. In 1815 coal was king. One could really say that the whole industrial, commercial, financial and even mercantile structure of the triumphant nineteenth century rested on coal. In 1920 coal was "sick," although the time needed to reconstruct the French and Belgian mines and to get the Ruhr back to normal concealed the fact until 1924. The British coal strike of 1926 was the first startling evidence of the difficulties. Oil fuel played havoc with mines and cargoes. The whole coal industry needed reorganization and the elimination of weak mines and wasteful equipment. Many miners had to change to other employment. All but the best mines were unable to compete on an even basis with production costs elsewhere.

Coal was to a considerable degree symptomatic of the condition of the old basic British industries. New industries like the manufacturing of motor cars, artificial silk, chemical and electrical equipment did well, but foundries, rolling mills, shipyards and cotton mills did badly. Between 1913 and 1927, exports declined and imports increased in volume, each by 17 per cent. Even in new "luxury" articles the British manufacturers' preference for quality was faced by demands for novelty, style and cheapness. The revivals of 1923-26 and 1926-29 were encouraging, but the subsequent world-wide crisis produced an intolerable strain.

Probably the greatest symptom of changed conditions was that Great Britain had an irreducible minimum of over 1,000,000 unemployed workers. The averages of unemployed on Jan. 1 and July 1 in the decade 1921-30 were 1,412,000 and 1,461,000, respectively, that is, 11.6 per cent and 12.3

per cent of the insured employed. This decade, of course, includes parts of two international depressions, so that the normal would be somewhat lower.

The Liberal, not the Labor, party had settled the fate of these unemployed by repeatedly securing national approval between 1906 and 1914 for its program of social reform. By 1914 the British people were deeply committed to varying responsibility for factory and mine conditions, for insurance against industrial accidents, for housing and town planning, for old age, widows' and orphans' pensions, for some minimum wages, for some supervision of labor disputes and for the provision of labor exchanges and money relief during unemployment. In 1912 the country could afford to provide these services. Those involving money payments were carried on an actuarial basis, with contributions from the national exchequer, the insured and the employers.

As late as 1920 the insurance fund was solvent; indeed, it possessed a reserve of \$100,000,000. As increased unemployment was seen to be permanent, as contributions fell behind payments and insurance came to be State subsidy, several somewhat vacillating legislative experiments as to rates of contribution and relief were made. Nevertheless, no political party dared to abolish the services. Although the number of employed workers was higher than before the war, and had shown reasonably steady increase since the depression of 1921, that increase did not keep pace with the increase of those qualified to receive unemployment insurance. The act of 1929, therefore, was drawn up so that the combined contributions would support at any one time 1,000,000 unemployed.

Not only was Britain committed to responsibility for her unemployed, but the organized workers were determined to protect what has usually been computed as an increase in real wages between 1914 and 1920 of from 15 to 20 per cent. Part of the defense

was political, for the Labor party in Parliament grew large enough to supplant the Liberals as the official Opposition in November, 1922, and formed minority governments with Liberal assistance from February to October, 1924, and from June, 1929, to August, 1931. Outside Parliament the organized workers fought hard in the recurrent wage controversies to keep their standard of living, and when all else failed used their ultimate weapon of the strike. The General Strike of 1926 was a novel and significant episode in British life.

Lastly, bare mention must be made of the fact that in foreign policy the traditional British effort to preserve peace and good commercial conditions by a balance of power has been confronted since the war by the avowed effort of France to obtain "security" for her own self-contained economy by maintaining hegemony in Continental Europe. The open, almost free-trade economy has clashed with the world's wealthiest "closed system" of national economy.

The operation of these factors divided the United Kingdom into many groups of opinion which were never accurately reflected in politics until the events of 1931 compelled a complete realignment regardless of former party alliances. Before the Summer of 1931 there were three distinct groups. Labor in Parliament and the Trades Union Congress outside it were committed to defense of wages and social services and disinclined to take into consideration a decline since 1928 of over 10 per cent in the cost of living. Their ultimate aim was a socialized Britain, but as a minority they could seldom abandon the defensive. They believed in borrowing to carry the recent extraordinary unemployment (since early 1931 over 2,500,000 persons), and in July, 1931, persuaded Parliament to authorize the insurance fund to borrow up to \$575,000,000 and to extend for six months the payment of benefits to those whose actuarial "right" to

payments had been exhausted. In foreign policy they aimed at conversion of the League of Nations into a real agency for peace and disarmament and they pursued conciliatory, pacific policies within the empire and without. Mr. Graham, president of the Board of Trade, tried in vain to secure tariff reductions in Europe to encourage British maintenance of a large measure of free trade.

The second group, the owners and managers of industry and the great mercantile agencies had one consuming purpose—reduction in costs of production and therefore of export prices. They were not at all agreed about protection or free trade or about the necessity of reorganizing industry wholesale, but they wanted to get business generally freed of some of the weight of taxation and of what they regarded as impossibly high wages. They were thus determined to reduce the rate of the social services provided by the State and to stand firmly for reduction wherever wage controversies arose. They were vitally interested in political and economic stability in Europe and saw more hope in developing the dominions than in bargaining with the dominions.

In the third place, Lombard Street and finance generally ("the City") wanted to preserve international confidence in the pound and in the London money market. International economic stability was therefore of paramount importance, especially in Europe, because Britain had lent her own and others' money to various European countries and had been able to do so on a small gold reserve only because British credit was unimpeachable. Domestic policies could be slightly subordinated to this international outlook, but it was almost equally imperative that the nation should always pay its way. Lombard Street wanted to increase domestic industrial productivity, but it would lend money only to enterprises whose internal reorganization and "rationali-

zation" of processes promised to reduce irrespective of wage rates. In international politics British finance was resigned to the gold board of the United States because her political interest seemed small, but disliked the resumption by France of granting loans with explicit political provisions. In general, it thought it detected an inclination in Wall Street to see eye to eye with it in international finance, and in 1931 it ventured to give encouragement to the short-lived anti-Versailles bloc of Germany, Austria, Hungary and Italy.

The resultant more or less tacit and fluctuating bargain among these three British groups has been apparent for ten years. The Labor minority has had to tolerate most of the apparatus of capitalism, and the others have accepted the social services as insurance against domestic unrest and the disturbance of production and credit. An intermittent guerrilla warfare has gone on over hours and wages.

The end to this workable compromise began when the New York stock market, blotted beyond economic recognition, was pricked and collapsed in October, 1929. That collapse and the later subsidence in 1930 and 1931 were not isolated or casual phenomena, but in keeping with prevailing world-wide conditions. This general depression lay over Britain's post-war weakness. Yet the general remedy was to let the existing government bear the burden and responsibility of dealing with a situation which was bound to require great sacrifice. Mr. MacDonald's government accepted the overwhelming responsibility in spite of the fact that its minority position prevented it from any wholesale measures consonant with its party policy. It preferred defining an acquired position to attacking and impelling a Liberal-Conservative coalition which might begin by throwing Labor's claimed achievements overboard. An isolated and divided Liberal party allied itself with Labor on those terms chiefly because a Laborist and some

what bewildered Conservative party failed to offer a program which would earn Liberal support.

The depression was about eighteen months old before Mr. Snowden, the Chancellor of the Exchequer, had to propose at the beginning of May, 1931, a budget which revealed some of the disturbed economic conditions. He estimated for 1931-32 that at the 1930-31 rate of taxation expenditures would exceed revenue by \$186,000,000, but he proposed to make it up by raising the gasoline tax, by changing the collection dates and proportions for income-tax payments and by drawing \$100,000,000 from the \$165,000,000 debt operations credit in New York. He also hoped to take advantage of the prevailing low interest rates to effect a profitable war loan conversion. With considerable ingenuity he introduced a land tax scheme to be in operation by 1933, similar enough to former Liberal proposals to win Liberal support, and the main budget debate concerned this rather than the doubtful quality of his proposals for a year which promised to be worse than the last. Actually the financial markets responded to his budget with a broad advance.

Mr. Neville Chamberlain, who had taken Mr. Winston Churchill's place as financial expert in the Conservative party, put his finger on the weakness in Mr. Snowden's position by reminding him in the debate that the insurance fund at existing rates must borrow \$5,000,000 a week, and that he was using the debt sinking fund to diminish the adverse budget balance. Conservative criticism was weakened, however, because Mr. Churchill, the last Conservative Chancellor of the Exchequer, had raided the Road Fund to balance his budget, and the Road Fund was designed to provide from taxes and licenses very large sums for public works and employment. The sinking fund, too, had already been used to meet emergencies.

After the beginning of May, dis-

turbing events crowded on each other's heels. On May 11 Dr. Juch, Austrian Minister of Finance, revealed that the Kreditanstalt could not meet its payments and the Austrian Government authorized the raising of a loan, part of which was to restore the bank's impaired credit. France promptly offered the money on conditions closely related to her dislike of the proposed Austro-German customs union. Great Britain, anxious to preserve European economic stability, lent \$21,000,000 at once unconditionally. Austria later promised to drop the customs union proposal until the World Court gave an advisory opinion, but the incident had revealed a rift between Great Britain and France.

On June 4 the British governmental commission which had had the task of investigating unemployment insurance issued an interim report. It recommended a decrease in the rate of payments to save \$165,000,000 a year and an increase in rate of contributions to add \$45,000,000. By these means and by adjustments in terms of legitimate relief and conditions of non-actuarial relief the fund could take care of 2,500,000 unemployed. Labor blazed in defiant opposition to this infringement of the position it had chosen to defend, and the Labor government, in default of united Parliamentary opposition, was able almost completely to evade the recommendations of the report in the program which it got through Parliament in June.

Meanwhile the financial crisis in Germany was deepening. On June 6 the Bruening Government made its last desperate efforts to meet the anticipated \$500,000,000 budget deficit. The program of retrenchment was announced while the German Chancellor and Foreign Minister were conferring with the leaders of the British Government in England. The joint manifesto which was issued at the conclusion of their meeting was received in

France as a somewhat invidious move and the world's financial markets began to bubble. In the month of June \$330,000,000 in gold was withdrawn from Germany. A credit of \$100,000,000, raised on June 16, quickly evaporated.

On June 20 President Hoover made his proposal to postpone for a year "all inter-governmental debts, reparations and relief debts." It required over two weeks of urgent international negotiation to induce France to support that proposal. Even now we have no explicit knowledge of what political concessions and other similar considerations she asked and received. Perhaps subsequent events provide the clue. Under reasonably obvious French pressure in late August, Germany and Austria publicly abandoned their proposed customs union just two days before an adverse advisory opinion of the World Court was handed down on Sept. 5. The court divided, 8 to 7, along what seemed political rather than judicial lines, with the French and Italian majority group opposed by British, American, German and Japanese judges in the minority. At the conferences over the Hoover proposal it was quite natural that the great trading countries, Great Britain and the United States, should oppose the French effort to make political capital of German embarrassment, and it was with the greatest difficulty that Premier Laval secured support in the Chamber for the settlement of July 6. It contained concessions to the French belief that President Hoover's proposal had been unnecessarily generous to Germany and insufficiently solicitous of France.

A week later Hungary closed its banks and once more the offer of French assistance was coupled to political conditions. This emergency was in turn eclipsed by the sudden and tremendous flow of gold from London to Paris which began about July 16 and continued for five weeks. It would be a mistake, however, to ascribe it wholly to French assertion of

the power to dictate to Europe with a rod of gold. It would also be a mistake to deny that such a motive played its part. One must remember that London serves as a bank of deposit for foreign funds and supplements her small gold reserve with her traditional reputation for meeting every obligation fully and promptly. The Hoover moratorium hit London very hard by "freezing" for a year large proportions of the funds lent by London to Germany and the rest of Europe and thus impairing the supply of liquid credit. Even under the moratorium London was, of course, quite solvent, but the moment she should begin to mobilize even a fraction of her foreign securities, the delicate structure of international finance would be shaken. New York quickly realized this situation, probably because the London Prudential Assurance Company repeated its wartime service of offering its American investments to support sterling.

Obviously, with gold flowing out at an unparalleled rate to reassure worried foreign investors, the only British counter-move could be to use every means to multiply confidence in British financial integrity. The United States was not troubled about gold. It tried every expedient to keep it from coming to New York from London and it disliked the French mixture of politics and business. Yet Snowden's budget and the unemployment commission's report had cast doubt upon whether the British State was paying its way. What every one wanted was clear light on the actual financial situation.

The light came from two remarkable reports, that of Lord Macmillan's committee on finance and industry, which appeared late in June, and that of Sir George Ernest May's committee on national expenditure, which was made public on July 31. They provided a curious contrast and have since been the chief armories from which the opposing British camps have drawn their weapons. The Mac-

millan committee dealt with long-term remedies more emphatically than with immediately practicable expedients. The primary problem was to them stability of prices. Great Britain was committed to the international gold standard; therefore she should use her international influence to lower the value of gold in terms of wholesale commodities and thereafter to stabilize prices. This would involve frequent conferences among the world's central banks to regulate the supply of credit. The actual flow of gold would be disregarded as completely as possible. Perhaps it would not be too absurd to call the report a proposal for a financial League of Nations, with the onus of immediate action resting on the creditor nations, that is, Great Britain, the United States, France, Belgium, Holland, Switzerland and Sweden. Their task would be to prevent all the world's gold from entering their repositories and thus contracting credit.

Such a report had little consolation to offer during the crisis. Its great technicality and the many divisions of opinion which were reflected in minority additions and dissents meant that it was put aside by most of those interested until more normal and leisurely times. Only two aspects of it were seized upon and these chiefly by Labor members. One was the quite intricate proposal for immediate, controlled, monetary inflation by the Bank of England, and the other the international scheme to lower the value of gold in terms of commodities. These proposals became impressive economic aids to the passionate defenders of the standard of living and the social services. Some comfort was also found in the opinion of some of the committee that income reductions to cut production costs must be general to do any good, and that tariffs and bounties on exports would help trade and the budget.

Far different was the report of the May committee, which was composed chiefly of London financial experts

under the chairmanship of England's most prominent private insurance official. Its explicit task had been "to make recommendations to the Chancellor of the Exchequer for effecting forthwith all possible reductions in the national expenditure on Supply Services, having regard especially to the present and prospective position of the revenue." Unembarrassed by demands for long-term policies, the committee attacked the national budget in exactly the spirit they would have shown over a company balance sheet when necessary to make assurance doubly sure. Yet on Aug. 31 it was reported that the Coalition Cabinet, which had succeeded the Labor Government and which was trying to carry out some of the May committee's recommendations, had found it to be "a very superficial document."

Sir George May's committee started with the finding that borrowing for unemployment insurance and the road fund would exceed the amount which in normal times is available for debt redemption by sinking fund operations, and which had been previously drawn upon to meet abnormal conditions. They therefore recommended that both insurance and road funds be drawn into the national balance as simple revenue liabilities. On this assumption they made the predictions which caught the eyes of the whole world, that in 1931-32 roughly \$600,000,000 would be needed to balance the budget and that the deficiency could not be regarded as transient. In effect they had applied the extremely conservative standards of business accountants to Mr. Snowden's political finance, and in the process had tripled his estimated budget deficit.

To bridge the gap they recommended severe reductions in pay and pensions, defense, national development schemes, and social services, amounting in all to savings in the first full year of \$482,500,000 (roughly a 12 per cent reduction in expenditures),

the major items being \$332,500,000 off unemployment insurance (a 20 per cent cut in payments), \$68,000,000 off educational salaries, and \$39,325,000 off the road fund. Some additional taxation was indicated as necessary. Thus 90 per cent of the savings were to be at the expense of the classes from which the Labor party draws its chief support. To them it seemed sheer effrontery to call these economies "a general sacrifice." They found the keynote in the statement that "only by the strictest regard to economy and efficiency over a long period can the trade of the country be restored," and the Labor members of the committee signed an emphatic dissent which described the recommendations as the imposition of "an unfair measure of sacrifice upon certain large sections of the community." They recommended a broader imposition of burdens and drew attention to the consequences of deflation and the gold standard.

Parliament began its Summer recess on July 31 just before the May report was published. A Cabinet committee of five, however, at once undertook its study. On Aug. 1, joint credits amounting to \$250,000,000 had been set up in Paris and New York to offset the effects of the "freezing" of Britain's central European credits, and in general the nation took a breathing spell while the Cabinet committee tried to decide on the fraction of the May recommendations which it thought it could undertake.

There was some uneasiness about Aug. 9, and it was hinted that a coalition would be formed in order to obviate the delay likely to ensue from Left Wing Labor opposition to economies. Sterling had dipped a little on Aug. 5, but recovered and was firm. Nevertheless, Mr. MacDonald went to London on Aug. 11 and had a six-hour conference with Mr. Snowden and representative bankers, who wanted immediate action so as to allow speedy initiation of the conversion opera-

tions. The Cabinet committee began its conferences next day and it was discovered that Mr. Henderson and others inclined toward increased taxation instead of cuts in the social services. Mr. MacDonald (who makes no pretense to economic expertness), Mr. Snowden and the urgent bankers began to split off from the Labor party in the interests of speed and restored confidence. Consultations were held with Mr. Baldwin, the Conservative leader, and Sir Herbert Samuel, acting for Mr. Lloyd George as Liberal leader, and there was a week-end dispersal for thought on Aug. 14. There was no lightening of the international economic sky, and unemployment continued above 2,700,000.

It was imperative, therefore, that positive proposals begin on Aug. 17, and they did. But positive proposals meant a fundamental division in British opinion, with Labor, political and civil, fighting hard to hold its fortress of unimpaired social services and standard of living. By postponing momentarily a discussion of what proved to be the lines of division the course of events can be indicated briefly.

On Aug. 18 Mr. MacDonald submitted the Cabinet committee's program to the Cabinet before referring it to the other political parties and to the Trades Union Council. The council, which acts for the Trades Union Congress of 210 unions with 3,750,000 members, commanded the close allegiance of 130 of the 286 Labor members of Parliament. On Aug. 21 the Conservatives rejected the program because only 50 per cent of it represented economies. On the same day the Trades Union Council not only rejected the program, refusing economies and insisting that they could only approve balancing the budget by new taxation, but resolutely broke off negotiations with the government until after the meeting of the Trades Union Congress on Sept. 7.

That action, fittingly enough, proved to be the turning point from

mere disquiet to a real national emergency. British statesmen sacrificed their week-end, and the London *Times*, which had already somewhat modified its usual sedateness, began to take an active hand. A Paris dispatch of Saturday, Aug. 22, reported that the French half of the Aug. 1 credit was approaching exhaustion. That night King George broke off his holiday in Scotland to assume in London, if necessary, his constitutional share in a change of government, and Mr. Baldwin returned from France. The question over Sunday (Aug. 23) was as to whether Mr. MacDonald would accept dictation from the trades unions. In 1926 they made a general strike. In 1931 they felt strong enough to forbid a Labor Prime Minister to impair their hard won standard of living.

On Sunday, Aug. 23, the Cabinet split, twelve for and eight against Mr. MacDonald's economy proposals. At this point three unknown factors must enter any calculation of what really happened. The King on Sunday saw the Prime Minister twice, had a long interview with Sir Josiah Stamp, a financial expert, and also received the leaders of the Conservative and Liberal parties. As a constitutional monarch he could act only on the advice of his government, but it is generally admitted that in this case, as on two or three previous occasions where it was hard to decide who really formed the responsible government, he used his own initiative to sound out the three leaders as to the practicability of a temporary alliance to handle only certain specified immediate governmental tasks. At any rate, next day (Aug. 24) just such a government was announced with Mr. MacDonald at its head, after the old Labor Government had resigned.

The second unknown factor is how much communication went on between a committee of bankers in the Treasury in Whitehall and the Cabinet in Downing Street. (There is an internal passage connecting the buildings.)

Events revealed that the Prime Minister, Mr. Snowden, Lord Sankey and Mr. Thomas were won over to the bankers' view of the crisis. It should be obvious that finance would rejoice over positive balancing of the budget, and with its interest in industry would deplore any increase in taxation. It is not clear, however, whether the bankers were entirely scrupulous. Montagu Norman, the governor of the Bank of England who had built up in France a reputation for stubbornness, had sailed on Aug. 15 to recuperate his health by a holiday in Canada.

The London *Times* (Conservative) chose Monday morning, Aug. 24, for an editorial to the effect that British credit was "in very grave danger" and the joint credits almost exhausted. The *Daily Herald* (Labor) subsequently alleged that the Federal Reserve Bank of New York demanded a 10 per cent cut in unemployment insurance as a condition of further support. Both newspapers seem to have been wrong, but the whole question has been clouded by skilful dialectic. Financial authorities in New York, even on Tuesday (Aug. 26), did not think that either the Paris or the New York credit was nearly exhausted. Moreover, the Federal Reserve Bank of New York would never venture to dictate British policy. Britain wanted credit or confidence. She could get both for the asking if she balanced her budget without adding greatly to taxation. The actual agents who told that to Mr. MacDonald were not the State banks of France and the United States, for both governments almost formally stepped aside, but the private bankers of those countries speaking through men who agreed with them in the Bank of England. Mr. Snowden is reported to have told the Cabinet that the bankers insisted on the 10 per cent reduction, and Mr. MacDonald subsequently made a point of reminding Labor of the 11½ per cent decrease in the cost of living since 1929.

The new national emergency gov-

ernment, announced on Aug. 25, was limited to a Cabinet of ten, instead of the usual nineteen or twenty, as follows:

*Labor* (4).

**J. RAMSAY MACDONALD**—Prime Minister and First Lord of the Treasury.

**PHILIP SNOWDEN**—Chancellor of the Exchequer.

**J. H. THOMAS**—Secretary for the Dominions and the Colonies.

**LORD SANKEY**—Lord Chancellor.

*Conservatives* (4).

**STANLEY BALDWIN**—Lord President of the Council.

**SIR SAMUEL HOARE**—Secretary for India.

**NEVILLE CHAMBERLAIN**—Minister of Health.

**SIR PHILIP CUNLIFFE-LISTER**—President of the Board of Trade.

*Liberals* (2).

**LORD READING**—Foreign Secretary.

**SIR HERBERT SAMUEL**—Home Secretary.

The rest of the fifty-four Ministers, including Under-Secretaries and other minor officials, were chosen mainly from among Conservative and Liberal members of Parliament. Among the more important appointments on Aug. 25 or subsequently were the following:

*Labor* (2).

**LORD AMULREE**—Air Secretary.

**SIR WILLIAM JOWITT**—Attorney General.

*Conservatives* (5).

**LORD PEEL**—Lord Privy Seal.

**SIR AUSTEN CHAMBERLAIN**—First Lord of the Admiralty.

**SIR HENRY BETTERTON**—Minister of Labor.

**LORD LONDONDERRY**—First Commissioner of Works.

**SIR JOHN GILMOUR**—Minister of Agriculture and Fisheries.

*Liberals* (4).

**LORD CREWE**—Secretary for War.

**SIR DONALD MACLEAN**—President of the Board of Education.

**SIR ARCHIBALD SINCLAIR**—Secretary for Scotland.

**LORD LOTHIAN**—Chancellor of the Duchy of Lancaster.

Mr. MacDonald, on the evening of

Aug. 25, made an eloquent speech to the country by radio, lamenting his separation from the party whose existence was the complement of his own career, comparing the emergency to a case of acute appendicitis, and explaining why economies which would restore confidence were better than the risks, to Labor, the nation and the international users of sterling, of a collapse of the pound. He and his three Cabinet associates were read out of the party and Arthur Henderson assumed an unofficial leadership, which was confirmed on Aug. 28.

The Labor attitude was set forth in a manifesto on Aug. 27 asserting that what was a world crisis ought to be settled by international action. The manifesto recalled the existence of Britain's \$20,000,000,000 foreign balance, urged international action to raise prices, rejected any impairment of the social services or standard of living and proposed to meet the deficit by suspending the sinking fund, reducing war debts, and taxing higher incomes and fixed interest-bearing securities. The manifesto further declared Labor's resolve to carry on its fight and rid itself of traitors. Among those who signed this statement was Mr. Henderson, who in thus swinging to the Left, won what he failed to win before, leadership of the party which no longer includes MacDonald and Snowden.

Meanwhile the private bankers of the United States and France have proved quite willing to give credits to a government in which they have confidence. On Aug. 29 New York and Paris each set up a credit of \$200,000,000, the former only for bankers' subscription, but half of the latter for sale to the French public.

[For further developments in the British political situation see Professor Brebner's article in "A Month's World History" elsewhere in this magazine.]

# Hard Times in the United States

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## I—Business Depressions Since the Civil War

By WILFORD J. EITEMAN

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FOUR times since the Civil War the prosperity of the United States has been interrupted by the occurrence of a depression somewhat similar to the present one. Each time the blame for the interruption was laid to some outstanding and unsolved economic problem of the day. Thus the depression of 1873 was said to have resulted from "monetary disorders," that of 1893 was believed to have been caused by the "low tariff and silver agitation," that of 1907 was ascribed by contemporaries to Roosevelt's "unfair attacks on big business" and that of 1921 was claimed to have grown out of "the extravagance of the common people." The most popular explanation offered for the present troubles of society is that of a maladjustment of consumers' purchasing power to the amount of consumptive goods produced. Despite the disparity of opinion as to their causes, the five depressions occurring since 1860 have been fundamentally alike.

Before the Civil War America was predominantly an agricultural nation. Those few products which were manufactured were produced only in small quantities for local consumption. During the Civil War the huge government purchases of army clothing, rations and war supplies made it possible for manufacturers to expand their operations and to take advan-

tage of the economies of mass production. After the war the extension of the railroads and the telegraph system so widened markets as to permit the continuance of meat packing, flour milling, brewing and the manufacture of shoes, clothing and other necessities of life on a large scale plan. Consequently there resulted about 1870 a period of extreme prosperity during which entrepreneurs realized enormous profits and laborers were in demand at high wages. It is estimated that the number of persons with a total wealth of \$100,000 before the Civil War was exceeded in 1870 by those whose income alone was more than that amount. A large part of the increased income was spent in extravagant living. The homes of the middle classes with their French mansard roofs were now lighted by kerosene lamps, carpeted with wool rugs, papered with floral figured wallpaper and luxuriously outfitted with all the comforts of the decade, and for the first time the common people were able to take annual vacation trips to near-by places of interest and to patronize the theatres and the new professional baseball games. Speculation was rampant; production records were shattered daily; confidence in the permanence of prosperity was without bounds.

The panic of 1873, with the attend-

ing crash of stock values and the failure of the leading financial institutions, did not create concern as to the continuance of prosperity. Instead, the leaders assured each other that fluctuations in the stock market did not affect commercial interests and pointed out that the business outlook was more promising than for years. In this crisis, as in later ones, vocabularies were exhausted in unsuccessful attempts to talk away difficulties. Business men were told that "no ordinary commercial calamity can disastrously affect the general interest," that the stock market collapse was merely a "Wall Street flurry" and that business was "beyond doubt in a better condition than for years," while the laboring men were assured that the closing of the factories was merely "a temporary disarrangement." In spite of these comforting utterances the nation drifted into a long period of depression.

The depression of 1873 was brought to an end in 1879 by a fortuitous event. This was the occurrence of bumper crops in America and of poor crops elsewhere in the world for three consecutive years. Thus the world was forced to purchase its food supply from American farmers at very high prices. The subsequent expenditure of these funds by Americans set in motion the forces which brought the return of prosperity.

The low prices which had prevailed during the depression of 1873 encouraged the introduction of labor-saving devices by industry in order to cut costs of manufacture. This search for cheaper methods of production continued even after the return of prosperity and resulted in a steady downward trend of prices. A steel plant in Pittsburgh was able to reduce the number of laborers in its boiler room from ninety to three by using natural gas in place of coal. As a result of savings such as this producers were able to lower the price of steel from \$84 to \$20 a ton. The cost of producing paper was so reduced by the in-

vention of a paper-making machine that grocers began to deliver their goods in paper bags, paper trays and paper pails without extra charge, and wine sellers to wrap their bottles in corrugated cartons so that the bottles "would not break if dropped on the pavement." In 1776 Adam Smith had thought it worth comment that ten men by cooperation could produce 48,000 pins a day, but in 1886 three men with machinery were producing 7,500,000. This decade saw the construction of the first electric lighting plant, the operation of the first electric street car and the invention of many other new and startling devices. A prominent writer, inspired by the accomplishments of his contemporaries, wrote in 1889 that "the world has never seen anything comparable to the results of the recent system of transportation by land and water; never experienced in so short a time such an expansion of all that pertains to what is called business and never before been able to accomplish so much in the way of production with a given amount of labor in a given time."

Only the larger corporations were able, however, to take advantage of the costly labor-saving devices. The smaller ones were crushed between the constantly decreasing prices and the increased competition due to machine production. The *Commercial and Financial Chronicle* concluded from a study of the statistics of business failures between 1884 and 1892 that the men who failed were the small capitalists. Whereas increased competition resulted in the failure of smaller businesses, it brought about mergers of the larger ones. Between 1882 and 1887 trusts were formed in the oil, cotton oil, linseed oil, lead, sugar, whisky and cordage industries. A \$20,000,000 dividend paid in 1888 by one of these trusts which had but a \$90,000,000 investment indicates the huge profits which these organizations were making.

It is generally believed that the

troubles of 1893 originated in the passage of the Sherman act of 1890, which required the government to purchase 4,500,000 ounces of silver each month. At that time 83 per cent of the custom receipts were gold, but three years later the proportion had shrunk to less than 9 per cent. At the same time net exports of gold had risen from \$3,000,000 to \$59,000,000 and the government's reserve had fallen to \$121,266,000. Still no concern was felt for business. The leading financial journal announced in January, 1893, that the year had opened "with a feeling of confidence in financial circles which should stimulate the belief in a rapid growth and development of industrial enterprises." The situation was not, however, without some unfavorable indications, for the journal commented on the absence of buoyancy and the presence of "an unwillingness to invest in venturesome undertakings." The National Cordage Company declared a 100 per cent dividend in February, but was in the hands of the receiver by May. The course of the year was marked by many other failures, among them the Philadelphia & Reading, the Erie, the Northern Pacific, the Union Pacific, the Atchison and the New York & New England. Each of these failures precipitated a small panic on the Exchange during which call money soared to 60 and 72 per cent. The low of stock prices was reached late in July when an average of ten leading industrials stood at 29.6, as compared to 85.3 earlier in the year.

The year 1894 opened with treasury reserves \$19,108,000 below the minimum and with unemployment assuming formidable proportions. Professor D. R. Dewey said: "Never before has the evil of unemployment been so widespread in the United States." *Harper's Weekly* estimated that \$10,000,000 a year was being doled out to alleviate the suffering. One charity organization in Chicago fed 22,000 persons and distributed 16,975 loaves of bread a day. "Everywhere is pinching

poverty, gaunt hunger, physical and mental anguish and brooding despair," writes another, "and those who remember the festal appearance and the broad gaiety of the World's Fair wince at the contrast then and now." On Easter Sunday J. S. Coxey began his famous march on Washington, D. C., where he hoped to arrive at the head of an army of 100,000 unemployed to demand that the government put them to work on the roads. Several weeks later he arrived with some 300 or 400 followers to find 10,000 onlookers assembled on the Capitol grounds to listen to his petition. When the police prevented him from making his address, his followers quickly dispersed and were lost among the mob. Relief of the unemployed was the current subject for discussion. "I believe that the best way to help the unemployed," stated Andrew Carnegie, "is for men of wealth to administer their fortunes in a manner which, in their judgment, will produce the most good for the community." "Make friends with one or two and do all necessary to relieve these one or two" was the advice of another man of great wealth. The president of the North German Lloyd Line believed that "some sort of a tariff bill" would help, and William Steinway, a manufacturer, suggested that every employer who could possibly afford it "keep his men at work even though it be at a loss."

In January, 1894, the *Commercial and Financial Chronicle* thought it saw signs of development and progress and stated that prosperity awaited only "the disposal of the tariff bill." Nevertheless, unemployment continued to increase through 1895, steel production was still declining in 1896, and in 1897 the journal which had hailed the return of prosperity in 1894 wrote that "only the removal of the unsoundness left in the currency system and the reinstatement of monetary affairs upon a gold standard pure and simple will give the country a rest from the influences which caused the breakdown in 1893 and from which

we are still suffering." Business was on the upgrade in 1898 when war was declared on Spain. Whether this revival would have proved permanent had not war intervened will never be known.

The depression of 1907, like that of 1873, was preceded by a period of great optimism. The year had opened with promise; merchants had more orders on their books than ever before; the iron and steel industry had been expanding steadily; and labor had been well employed at high wages. "What Cincinnati needs most," said a manufacturer from that city, "is 20,000 more wage workers." "Our American workingmen," stated a member of the President's Cabinet, "today fare better than Queen Elizabeth. They have the best cuts of meat, the choicest potatoes and a wealth of fruit and vegetables." When the possibility of a trade recession was suggested at the bankers' convention in September a speaker replied that "the huge cotton crop now being garnered will produce enough quick cold cash to quench the flames of a dozen panics." Things were not, however, without sinister signs. President Roosevelt said in October: "At intervals during the last few months the appeal has been made to me not to enforce the law against certain wrong-doers of great wealth because to do so would interfere with the business prosperity of the country. This appeal has been made to me by men who ordinarily behave as decent citizens." The *Commercial and Financial Chronicle* expressed great fear that the President's talk and actions would "undermine confidence," and Charles G. Dawes, speaking in Chicago, demanded the amendment of the Sherman anti-trust law so that American business men who he said were honest could obey the law.

The looting of the Alton had been disclosed in March, 1907; the Standard Oil Company had been found guilty in April, and other scandals had marked the course of the year,

but it waited for the collapse of a corner in a copper stock to precipitate a panic. Otto Heinze, a New York stock broker, had engineered this corner on the stock of a company controlled by the Heinze brothers. Morse, a partner in the corner, had been bought out by interests unfriendly to the Heinzes and had dumped 17,000 shares on the market, thus causing the failure of the corner. The brokerage house of Otto Heinze & Co. was suspended from the Stock Exchange because it was unable to pay for the stock which it had purchased. On Friday, Oct. 18, the Clearing House Association requested the resignation of F. Augustus Heinze, president of the Mercantile National Bank, and of all the directors of this bank. The State Savings Bank of Butte, Mont., controlled by the Heinzes, failed, and runs on a number of New York banks involved in the Heinze deal occurred. On Monday, Oct. 21, the announcement of the National Bank of Commerce that it would no longer clear for the Knickerbocker Trust Company caused considerable excitement on the Stock Exchange. E. H. Harriman stated, however, that this liquidation in Wall Street was a "wholesome cleaning up" and that there was "not the making of any kind of a panic in the financial condition of the country." On the following day bedlam broke loose. The stock market opened five points below the previous close; the Knickerbocker Trust Company and the Trust Company of America closed their doors; the failure of the Westinghouse Company was announced; call money soared to 125 per cent and J. Pierpont Morgan, John D. Rockefeller and other bankers placed \$50,000,000 in the market to stop the panic.

The blame was promptly placed upon Roosevelt's unfair attacks on big business. "So long," writes the leading financial journal, "as the government's policy with respect to railroad corporations and accumulation of wealth continues there can be no com-

plete recovery." At first it was believed that the trouble would be confined to Wall Street, but soon factories began to close and to announce wage cuts. The *Literary Digest* published an article, "Are We to Have an Industrial Crisis Also?" No, wrote a New York newspaper, for "the truly phenomenal prosperity of the country will soon flow in with hardly a ripple to show it has been disturbed." "The panic consequences to industry," stated another, "will not prove to be prolonged." According to still another, the country was "fortified as it never has been before" against a real depression, for "wealth has been created in enormous amounts and distributed in a hundred centres." "Business expansions," said a financial journal, "will follow only as the bands tightened by legislation are loosened."

By December, 1907, the *Independent* had discovered unmistakable "indications of improvement." According to it, the return road to prosperity lay in leading the people "to believe that there was no good reason for their panicky action." Nevertheless, a year later the *Commercial and Financial Chronicle* proclaimed that the "industrial paralysis and prostration of 1908 was the very worst experienced in this country's history." During the year the laborers who had previously lived "better than Queen Elizabeth" tramped the streets in search of work or stood in long bread lines, hungry, discouraged and poorly clothed. By 1909, however, conditions were considerably improved so that the economic troubles of this generation proved to be of short duration.

The next depression, that of 1921, grew out of war conditions. Industry during the World War had been directed primarily to the production of war materials, with the result that the close of the war found the nation's stock of consumptive goods somewhat depleted. There resulted then a short period of intense business activity as industries rushed to produce the articles being demanded by a people just

released from the necessity of wartime conservation. There followed, therefore, a period of extravagant spending which has been aptly called the "dawn of the automobile-silk shirt age." Farmers had been enjoying good crops and high prices; unskilled laborers had been receiving wages almost as high as the salaries of executives; corporations, encouraged by their huge paper profits, had been expanding their productive capacity. According to the testimony of a contemporary writer, "business men were swept off their feet and college professors, statisticians and economists were producing bales of figures and arguments to prove that a new day had dawned and that prices would never drop to a pre-war level."

But in May, 1920, activity began to slacken and continued to fall off throughout the year and most of 1921. Unemployment increased until every newspaper carried headlines like the following: "Textile Mills Reduce Wages 25 Per Cent"; "Baltimore Workers Bow to Wage Cuts"; and "American Woolen Company Cuts Wages 22 Per Cent." Wage cuts were the most prominent feature of the depression and were hailed as "necessary to the return to normalcy." For example, when unemployment was at its greatest Judge Gary saw "nothing unfavorable on the business horizon" and believed that "the general reduction in wages was a good sign." W. P. G. Harding noted "signs everywhere of a revival of business in the Spring." Although the revival did not materialize quite as soon as expected, the depression of 1921 was brief, and the suffering attending it was not great.

The movement of prices after the depression of 1921 was downward, but wages remained stationary. This meant that the laborer, after providing himself with the things to which he was accustomed, still had left some purchasing power to spend as he willed. The expenditure of this "optional purchasing power" created a

demand for a great many goods not previously in general usage. At the same time there occurred a great change in the consumptive habits of the people, best brought out by a comparison of the manner of living in 1920 with that of 1929. The laboring man's diet changed and in clothing there was a demand for a greater variety of styles and for a better quality of materials, while the growing use of electrical equipment in the dwellings of the common people was the most spectacular of all the changes. There were in 1920 but a few thousand radios in the United States; in 1929 there were over 8,000,000. The number of automobiles of the passenger type increased from 8,225,859 in 1920 to 21,630,000 in 1928. Smoking, heretofore predominantly a masculine habit, by 1929 had been adopted by women.

All these changes in consumptive demand along with others necessitated a great expansion of the nation's productive capacity and resulted in increased employment and increased corporate profits. The rush of investors to share in the profits so raised stock values as to encourage corporations to take advantage of these high prices to retire bond issues, and to finance their expansion with funds se-

cured from the flotation of new issues of common stocks. Rich and poor purchased the new issues and as they did so decreased their demand for consumers' goods. That the curtailment of consumptive demand was noticed by producers in May and June, 1929, is evidenced by the slackening in production which occurred in July and August. When indices of production continued to decline, investors and speculators began in September to sell their stocks. The resulting lowering of stock values frightened the investing public and was the immediate cause of the débâcle in October, 1929. This was followed by an increase in unemployment which led to a still greater curtailment of the demand for consumers' goods and still more unemployment. So the vicious circle has continued to the present.

How long it will go on is not known. Nor does the history of previous depressions furnish a clue, for the depression of 1873 ended in 1879 as the result of an accident, and the end of the depression of 1893 was obscured by the Spanish-American War. The depressions of 1907 and 1921 were short and their effects temporary, so that any conclusions drawn from their comparison with the present depression are of doubtful value.

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## II—The Effect of High Wages

*By THOMAS J. WERTENBAKER*

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SOME years ago Arnold Bennett, during a visit to Princeton, went out to watch a football game. "I was interested to note," he said afterward, "that on certain occasions the 50,000 persons present would all rise, only to resume their seats a few moments later. But since they all stood up and sat down in unison, no one had an advantage over any one else." The failure of the business world to follow

this formula of the football crowd is the chief reason for the prolongation of the present economic depression. There is a crying need for some one to shout "Down in front!"

The period of "hard times" cannot be explained entirely as a reaction from business inflation. We are witnessing a major readjustment in our standard of value, and this readjustment is having a very painful effect on business.

We are suffering, and suffering bitterly, from our dependence upon a yardstick of value which varies from one period to another. The years during and immediately after the World War witnessed a radical decline in the purchasing power of the dollar, Dun's wholesale price index for the United States rising from 116.3 in 1914 to 260.4 in 1920. This change was the result of abnormal conditions, at a time when many of the great nations of Europe deserted the gold standard, and when international trade reached very large proportions. A partial readjustment came in 1921, when the index number fell to 159, but the value of gold continued in the succeeding years far below the level of 1913. A further readjustment is now in progress. On Aug. 22 Professor Irving Fisher's index number, based on a commodity price level of 100 in 1926, had fallen to 69.4; while Crump's index of British commodity prices, also based on 100 as the average of 1926, was 61.2. Many articles are selling well below the prices of 1913.

Such a radical decline explains, rather than is explained by, the business depression. It is true that in "hard times" prices invariably go lower. But if there are no other forces at work to affect permanently the value of the standard, the decline will be small. In 1894 prices were 83 as compared with 90.6 in 1893; in 1908 they were 108 as compared with 113.6 in 1907. With the return of prosperity we may expect the normal rise in prices which comes with the enhanced demand for commodities, but it is most unlikely that there will be a return to the level of 1929 or even 1930.

A continued decline in commodity prices always has a depressing effect on business. Manufacturers, wholesalers, retailers are caught with goods on their hands which must be disposed of at a very narrow profit or even at a loss. This slows up the whole economic procession. Orders are cut down, the output is lessened, men are thrown out of work, earnings

dwindle, and "hard times" settle down over the country. There have been several periods of falling prices in American history, and the effect upon industry has always been the same.

Professor Wesley C. Mitchell thus describes the cycle of depression: "Wholesale prices usually fall faster than retail, the prices of producers' goods faster than those of consumers' goods, and the prices of raw materials faster than those of manufactured goods. The prices of raw mineral products follow a more regular course than those of raw forest, farm or animal products. As compared with the general index numbers of commodity prices at wholesale, index numbers of wages and interest on long-time loans decline in a less degree, while index numbers of discount rates and of stocks decline in greater degree."

The return of prosperity is obviously dependent upon the completion of this movement of readjustment to the new dollar. If the prices of wheat, cotton, sugar, beef, copper, steel and other commodities fall 30 per cent as a result of a change in the standard of value, wages and retail prices must also be reduced, or the whole business machine will be thrown out of gear. We must all sit down together in order that all may see the game.

Readjustment is always difficult. The trade unions denounce any suggestion that it would be wise to "deflate" wages; business men shrink from the prospect of a renewal of the old feud between capital and labor. Not until the disparity between costs and competitive selling prices brings their business to the verge of disaster will employers acknowledge the necessity of reducing labor charges.

The United States prides itself upon the high wages paid its workers. The American bricklayer or steel worker or textile mill hand receives several times as much as his fellow-worker in the European countries. He has a much shorter working day, his home is far more comfortable, his food more wholesome, his opportunities for recreation and education better. He is,

or should be, a more useful, intelligent citizen.

American employers believe in high wages. They have learned by experience that the well-paid, contented worker is far more efficient than his low-paid fellow-laborer of Europe. In the present depression the presidents of many of the great corporations have come out in the most emphatic way against wage reductions. "Our workingmen have stuck by us in times past," they say; "we will stick by them in this crisis." So they set themselves the task of lowering production costs in other ways. Many a great business concern, which otherwise would have to close down, throwing the men entirely out of work, keeps going by eliminating waste, by rigid economy, by lowering overhead charges and so forth. In this way they hope to bring the sale price of their goods down to the buying level of the present-day market.

The spirit with which the American business man has met the situation is worthy of all praise. The American people are unanimous in their determination to permit no lowering of the workingman's standard of living. It is seriously to be doubted, however, whether the readjustment to the new selling level can be effected without some scaling down of the present wage scale. In fact, hundreds of concerns have already been forced to do this in order to keep going. Although the American Federation of Labor has pronounced against these cuts in the most emphatic way, they seem to be inevitable in the face of world-wide economic conditions.

There would be less heat and a greater degree of adaptability were employers and wage earners to have a clearer understanding of the difference between "dollar wages" and "real wages." Dollar wages means the amount the worker receives measured in terms of money, real wages the amount measured in purchasing power. Dollar wages may at one time remain stationary, and real

wages go down; at another remain stationary while real wages go up. From 1914 to 1921 real wages sank so rapidly that the unions found it difficult to force up dollar wages rapidly enough to keep pace. In the past two years real wages have been advancing rapidly. In other words, with the price of bread, meat, sugar, clothing, rentals, dropping to levels unknown since 1914, the purchasing power of the worker's wages has been greatly increased.

It is not too much to say that those workers who retain the old dollar wage have received an actual increase in real wages of 25 per cent. The billions of dollars which such an increase entails is a burden so stupendous on the back of industry that in its present condition it is greatly to be feared it cannot stand up under it. If it were certain that after the passing of the depression the purchasing power of the dollar would sink to the level of 1928, there would be much to be said for holding on to the old dollar wage, so as to prevent the eventual lowering of the real wage. But all evidence leads to the conclusion that we are entering upon a period of permanently lower prices.

Labor, then, would do well to cooperate with employers in making such adjustments of wages as are necessary to bring the selling level down to the buying level, and so put an end to the depression. Labor is dependent upon the industrial machine for its very existence; if the industrial machine is out of gear, labor suffers. The mere possession of a high real wage scale will do the worker no good, if industry is not productive enough to pay for it. It means unemployment for millions, and part-time work for other millions. To distribute the work by placing all the men on part time may alleviate suffering, but it does not increase the aggregate of labor's return.

The argument that to lower wages would diminish the purchasing power of the nation and so prolong the de-

pression, is untenable. The industrial workers constitute but a part of the consuming public. If their purchasing power can be maintained at a high point only by keeping the price level above the purchasing power of the rest of the nation, the result is obviously unfortunate. The farmer population of the United States is estimated at 27,000,000. From May 6, 1930, to May 6, 1931, the index number for prices of farm products fell from 125.1 to 93.5. This represents a decline in purchasing power of billions of dollars, provided the price of goods which the farmer buys remains at the old level. But if the prices of farm machinery, clothing, automobiles, household utensils have also declined, he is still in a position to purchase.

The farmer is not the only one whose purchasing power has been lowered. The millions who are dependent in whole or in part upon income from holdings in the great industries of the country find their condition even more unfortunate. With the market price of their securities dwindling, with dividends cut, they, too, feel the pinch of "hard times." Even the rich often find it necessary to economize. There have been recent appeals to the well-to-do to aid in restoring business by spending more freely. But it is idle to urge one, whose estate has shrunk perhaps from \$500,000 to \$200,000 in less than two years, to purchase with a lavish hand.

To say that the long depression is the result of a state of mind, of an orgy of public pessimism, is to close our eyes to the operation of well-defined economic forces. There is a definite dislocation of the machinery of production and distribution, and until this has been remedied forced cheerfulness will do little good. The manufacturer finds it difficult to repeat to himself that things are getting better every day and in every way, when his plant is operating at only 50 per cent of capacity, and he

cannot turn out his product at a price which will stimulate buying. Unquestionably there is a boom-time mentality and a depression mentality, but they are the results rather than the cause of booms and depressions. As soon as business has adjusted itself to present conditions, when the kinks have been straightened out of the industrial machine, cheerfulness will return.

The present experience leads to the question whether there is to be no permanent remedy to the fluctuations of the standard of value. Must we have every few decades a rising dollar or a declining dollar, with the consequent depressing or stimulating effect upon business? The amount of suffering, injustice and bitterness in the history of the United States which has arisen from this cause can hardly be exaggerated. When the standard appreciates it injures the debtor by forcing him to pay both interest and principal above the level at which he borrowed; when it depreciates it strikes at the creditor, causing life savings to dwindle, injuring endowed institutions and bringing an entirely unearned increment to certain business groups.

We need only look back over the sweep of American history to envisage the wreckage made by fluctuating currencies—the wiping out of debts through the medium of the revolutionary paper currencies, the ruin of debtors occasioned by the appreciation of money during the period of the confederation, and in later times the greenback inflation with its attendant evils, followed by the return to the gold standard and the consequent injustice to debtors, especially the debtor West.

Some years ago Professor Irving Fisher wrote prophetically: "We are now in a critical period. \* \* \* Shall we sit idly by and let the accidents and circumstances of various kinds continue the successive jolts, alternating upheavals and depressions

which make the people cry out, first against the 'high cost of living,' and then against 'hard times?' \* \* \* If we do not provide a really scientific remedy, if we take the ground that we must simply drift with the tides of gold and credit, that we are helpless to do anything to rectify or prevent in the future the great social injustices which history warns us will surely come, as between creditor and debtor, wage earner and employer, salaried man and profit-taker, we shall be simply fertilizing the soil of public opinion with a dangerous radicalism." Unfortunately we did sit idle, and today the United States and the world are reaping the whirlwind.

What is the remedy? Are we to abandon the gold standard? Despite its defects it has proved the most convenient, the most stable basis the world has yet tested. Many distinguished economists urge the adoption of the multiple commodity standard. Gold is the best single commodity for use as a standard of value, they say, but no one commodity is stable. It would be better to have two commodities, let us say gold and silver, represented by a dollar made up of an amalgam of the two metals. If one metal should fall or rise in value, the other would tend to stabilize the dollar. But

if two commodities are better than one, three are better than two. Finally, they say, why not use a hundred commodities, as expressed in the index number of the United States Bureau of Labor statistics? This would give us the greatest degree of stability, and correct permanently the ever-recurring periods of fluctuation.

It would be rash indeed for one who is not an economist to pronounce upon the validity of this plan. But it is quite proper for an American historian to say that if some such means of stabilization should be tried successfully, it would be of untold benefit to the nation, would prevent endless suffering and injustice. Perhaps President Hoover could do no greater service to the United States than to call a conference of noted "money doctors" to consider plans of permanent stabilization.

Certain it is that the United States today is suffering because it has a standard of value which is flexible instead of rigid and a scale of wages which is rigid instead of flexible. If the yardstick of value would remain constant there would be no crying need of sliding the wage scale up and down. But as it is, those whose view of the game is being obscured can only cry out, "Down in front."

### III—Objections to Wage-Cutting

By LEO WOLMAN

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THE prevailing sharp divergence of opinion regarding the policy of wage-cutting is not peculiar to the present depression. Most of our contemporaries will recall the general unemployment and wage reductions of 1914, when President Wilson appointed his Commission on Industrial Relations to study the causes of industrial unrest. The report of this commission was forgotten as the

depression was absorbed in the mounting tide of foreign purchases by the warring governments of Europe. Seven years later, in the midst of the post-war depression of 1921, the issue of wages was overlooked by President Harding's Conference on Unemployment. But that short period of post-war readjustment witnessed nationwide strikes in the mines, textile industries, building trades, on the rail-

roads, as well as universal attempts to lower wages.

Now, once more, the issue is sharply drawn, and the policy of reducing wages is again espoused as the sole remaining means of hastening the recovery of business. If this latest business crisis is to be distinguished from its numerous predecessors, it is only because changes in wages have been made with greater reluctance than before and the problem of maintaining wages has been a matter of genuine concern to many of the owners and managers of our largest industries. With the persistence of bad business, the pressure for the deflation of wages has become more insistent and the practice of reducing them more frequent.

Wage-cutting is not an isolated phenomenon. It has been tried in every period of business depression of which we have a record. The theory on which the practice of wage-cutting rests has never been clear and decisive. As a matter of fact the whole practice of attempting to bring wages in line with prices, when prices are falling, has amounted to little more than surrender to economic forces which we do not understand and which we make little effort to control. The cost to society in unemployment, business failures and shrinkages in assets of this method of doing business is too well known to require further comment here. But the political and economic consequences of the methods of revival we are now pursuing are so fraught with further danger that some of the events of the depression of 1930 merit further description and the theory of deflation itself demands restatement.

There is, first, the question of the purely factual support for the prevailing belief that business revival is at this time being retarded by the failure of wages to fall as fast as they should. Because of the inertia of wages, it is contended, many prices, particularly in retail markets, are

artificially sustained and the whole price structure is thrown out of balance. Unless, therefore, retail prices are brought into line with wholesale prices, farm prices with the prices of manufactured goods, wages with prices, it is futile to expect improvement in business.

The facts in the matter, confused as they are, do not present as simple a picture of these various price relations as this theory indicates. We do not know how far toward the restoration of balance among prices we have already gone and, consequently, we are in no position, from the facts alone, to conclude how much further we must still go. Retail price statistics are notoriously inferior in adequacy and accuracy to the accepted series of wholesale prices. It is consequently well-nigh impossible to arrive at any safe conclusions as to the comparative extent of price decline in these two markets.

The case of wages is even worse. All attempts to contrast the movement of wages with that of farm prices or the prices of manufactured goods or retail prices, are doomed to failure because the basic data do not lend themselves to such comparisons. All that is known is that wages have steadily fallen since the beginning of the depression and that all groups of workers, except certain railroad groups, have suffered a decrease. From a variety of scattered and not altogether comparable sources, it is now possible to conclude that manufacturing wages have been reduced more than 15 per cent, those of soft coal miners more than 20 per cent, and those in the construction industries, offices and wholesale and retail stores a considerable, if unknown, amount. All wages and salaries are, furthermore, decreasing daily.

On this point measurement of the course of wages alone is not enough. Business men are interested not in wages but in costs. In studying wages, therefore, the significant factor is not

the amount of money an employe receives but his speed and skill as a worker and his productivity. Even when wages are rising, if productivity increases faster, labor cost will go down. The essential theoretical relationship, then, is between prices and labor cost, not between prices and wages. When this relation is explored, granting the great difficulty of procuring the relevant facts, the probabilities are even stronger that labor costs have already been progressively deflated. Barring extraordinary years of high prosperity and labor unrest, like 1919, the records show a constant if uneven rise in the productivity of labor. From 1923 to 1929 the per capita output of labor (a measure of the efficiency of labor which tends to underestimate the true rate of growth) in all manufacturing industries increased more than 17 per cent. Comparable increases were registered in other industries as well.

The pressure for greater efficiency and lower costs which is so effective in normal times becomes, under the influence of depression, even more powerful. Then the search for economies in management leads to the discharge of the slow and inefficient worker, to the lengthening of the work period and to aggressive experimentation with labor-saving devices. The result is that unit costs are constantly being revised downward. While, again, the precise record of this chain of events is not now at hand, it is reasonably certain that the observed facts of past depressions are repeating themselves during this one.

To the advocates of wage reductions, however, the savings of the first two years of the depression are so much water over the dam, and they now contemplate a further lowering of the wage level in response to the continuance of bad business. But this point of view disregards factors which make the literal adoption of such a policy difficult, if not impossible.

The costs of doing business are a

composite of a great variety of other costs, fixed and variable, direct and indirect. Certain fixed charges, like the cost of maintaining plant and equipment, which may be relatively minor when the total volume of business is large, rise to higher levels as production shrinks. Thus, when output drops from 80 to 90 per cent of capacity to less than 40 per cent, as it has in many American industries during the last year, the result may be so sharp an increase in unit overhead costs that it is futile to think of compensating for this rise by a proportionate reduction in such direct costs as wages and salaries. The only remedy for mounting costs of this nature is an increase in the total volume of business. Until this is achieved an individual firm or industry will simply mark time, keep its head above water by introducing economies here and there and by drawing on its surpluses or reserves, where it happens to have them.

In the practical business world, then, liquidation of wages or of other factors is a slow and cumbersome process which has not yet been reduced to terms of precision. On the basis of what we know about the matter it is dangerous to assert that the period of liquidation is not yet ended, or that the depression will last until real estate is liquidated or that recovery must wait until the levels of wholesale and retail prices coincide with those of wages and salaries.

It is, indeed, essential in this connection to distinguish between a general description of an episode in the history of business and an economic formula which pretends to indicate the precise terms on which recovery can be brought about. When, for instance, Professor Wertenbaker writes that "if the prices of wheat, cotton, sugar, beef, copper, steel and other commodities fall 30 per cent as a result of a change in the standard of value, wages and retail prices must also be reduced, or the whole business machine will be thrown out of gear"

(page 17 of this magazine), he is painting a historical picture of great value, but he is far from pointing the way to the best means of emerging from this depression. Interpreted literally, with reference to all the elements entering into the total business situation, it is doubtful whether the description of events is even historically accurate. Certainly all available index numbers of wages, despite their defects, show pretty conclusively that wages have never dropped to the same extent as prices, and it is an economic commonplace that retail prices always lag painfully behind the wholesale. Yet we have had as many business recoveries as depressions, without being at all sure in each case whether equilibrium had been re-established or not.

It is, however, as the foundation for practical judgment that Professor Wertebaker's view, shared by many other commentators, is important. If this view means that recovery is being retarded by the failure of all prices of goods and services to fall equally and within approximately the same period of time, then those who preach this doctrine are counseling a policy that few private or public administrators would dare to adopt.

The price of wheat, for example, has fallen from \$1 to less than 50 cents a bushel and still seems to be going down. Rents, on the other hand, have probably not been reduced by as much as 20 per cent, and they are declining even now much more slowly than the price of wheat or a score of other commodities well known to any one. Any attempt to reduce rents to the level of wheat prices, or anywhere near that level, would do such violence to existing equities in real estate as to produce a virtual state of crisis and to prolong the depression for an indefinite period. Recognition of this obvious danger of uncontrolled deflation has throughout this whole depression led the organized agencies of every business system to use all their ingenuity and imagination to re-

tard and control liquidation, not to facilitate it.

For many months during the first year of business decline hundreds of banks were kept open through the fear of what might happen if they shut down; and even now solvency and insolvency are defined to fit special circumstances because of the virtual certainty in the minds of responsible persons that too strict a definition of insolvency might well raise more problems than it solves. The German moratorium and the chain of banking incidents connected with it are, to cite an extreme but more and more typical instance, another illustration of the effort now being exerted to arrest the fall in prices and prevent further deflation. The universality of these attempts to inject confidence into what has grown to be a hopeless business situation and to impart to an unstable condition a reasonable degree of certainty as to the future supports the validity of polices whose origin and purpose are quite the reverse of the methods of liquidation and deflation.

Aside from these considerations of practical policy, there is a serious doubt in the minds of many students of this question whether the sequence of cause and effect which is the tacit assumption of the protagonist of liquidation is not in itself unsound. While it is safe to reject the naïve notion that wages or other prices can be raised and maintained indefinitely by legislative or administrative fiat, the idea that the major strain in competitive business is due to the failure of consumption to keep pace with the productivity of industry can by no means be disposed of so easily. It is not difficult to find many experienced observers who believe that the onset of the depression was due to the creation of excess plant and equipment caused principally by the maldistribution of the income of industry. The perpetuation of the depression is, then, the result of delay in so modifying the distribution of income that consumers' demand could absorb the product of

industry and the vast stocks of goods in the hands of producers, wholesalers and retailers.

Choice of an exclusive theory of business fluctuations seems to me neither possible nor necessary. More important for the solution of our contemporary and future problems, arising out of the alternation of periods of "good times" and "bad times," is the discovery and grasp of the concrete conditions under which business now and in the future plans to conduct its affairs. At a time when the policy of business is concerned more and more with the control of production, prices and distribution, in short of all phases of business activity, it seems futile to counsel methods that work only when competition is universal and unrestricted. It is no accident that the terms "security," "stabilization," "regularization," "control," have come increasingly into common use in the United States. The pressure for protection against the uncertainties of competitive enterprise, which was the source of the early trust and cartel movements, appears to be stronger today than ever before. Although it may be easy to exaggerate their present significance, there can be little doubt that the rise of trade associations, pools, a multiplicity of price controls and of many other business organizations of the

same type, represents only a further stage in the development of restraints over free economic activity. The Sherman anti-trust act, not so long ago regarded as the economic gospel of the country, is now treated with growing impatience and skepticism. If we project ourselves into the future, it is a fair guess that a movement of such vitality will gather force with age and will not easily be diverted into other channels.

In the face of this irresistible trend toward steadily greater control, the chances of setting back the hands of the clock and of reverting to a state of pure competition, of nice balances and equilibria, in which things right themselves, have now become pretty slim. Between the growth of business controls and the requirements of the economics of liquidation there is an irreconcilable antithesis. As a guide to social policy, therefore, recourse to the procedure of deflation is nothing more than an appeal to mystic forces whose potency we have long since come to suspect. If economic science is to deal with the realities of our business situation, the problem before it is to direct these confused experiments with business control so that they can be made to work, and not to content itself with the description of a multitude of economic forces which, as they now work, are bound to remain obscure and mysterious.

# Chancellor Bruening of Germany

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By FRITZ KLEIN

*Editor-in-Chief, Deutsche Allgemeine Zeitung, Berlin*

PRESIDENT VON HINDENBURG is quoted as saying that Bruening will be his last Chancellor. The great veteran does not like change; besides, he has developed a confidence in Dr. Heinrich Bruening, and will hold him fast with a soldier's fidelity as long as it can be justified in any way. The relation between the President of the German Reich and his Chancellor may be likened to that between a father and his eldest son. But it is not only personal affection that accounts for the President's declaration; it is also the very high value he places on Bruening's qualifications for his post. In any case no successor to Bruening, who was appointed on March 30, 1930, appears to be in sight at the present moment. This is not because nobody could be found to assume the Chancellor's responsibilities, but because the conviction has steadily grown that Bruening himself is irreplaceable.

Physically Dr. Bruening is of medium height and slender stature, clean shaven, with a high forehead, thinish hair, calm eyes and a finely cut mouth. He was born in Muenster, the capital of the Prussian Province of Westphalia, on Feb. 26, 1885, but he looks older than his 46 years. His father was a fairly well-to-do wine and spirit merchant, and his mother was of patrician stock. The Westphalians are difficult people, complex, self-willed, hard-headed personalities.

Their pride and spirit of independence turns traditionally against governmental authority. In speaking of his youth the Chancellor can tell characteristic tales of the sly resistance of Westphalian peasants to the royal Prussian authorities. Any administrative official not personally acquainted with the idiosyncrasies of the wealthier country folk in his district would be lost. The individualistic character of this tenacious tribe was not likely to become different when Germany became a republic.

Of the fundamental qualities of his countrymen Chancellor Bruening has inherited primarily tenacity and endurance. He represents a spiritualized type. Sensitive, with extraordinarily quick comprehension, cool and fearless in danger, yet passionately stirred by his task, he is an admirable listener to the driest expositions of his co-workers, rarely giving a sign of his own attitude toward the matter at issue until, after he has weighed and digested the diverse proposals, he makes his decision. He is remarkably gifted in the tactical treatment of men and things, impenetrable to most people with whom he has to deal, and always able to give a new aspect to a matter in debate and to exploit it astonishingly.

Bruening has been a student of philosophy, history and economics. Without being rich, his family were prosperous enough to allow him to

prolong his university studies at Strasbourg, Munich and Bonn beyond the customary four years to almost twice that length of time. When he had passed his first State examination in 1911, he did not enter the teaching profession, as he had intended, but went on with his studies. His eldest brother, who had been overseas as a Catholic missionary and later served as a parish priest in Normandy, had gone to a similar position in England. On visits to him the future Chancellor rounded out his knowledge of English and French, and his conception of the economic and political conditions among the western neighbors of Germany. In Manchester he found by chance the suggestion for his doctoral thesis on the financial, economic and legal status of the English railways in the event of their control by the State.

At the outbreak of the World War, Bruening, who had been exempted from military training on the ground of bodily unfitness, volunteered for service. But not until early in 1915 did he succeed in enlisting in the Thirtieth Infantry. The third significant stage of his life now began, for his career as a student and his period of foreign travel were to be followed by the experiences of war. These were the three most important factors in the development of the young man on the subsoil of the strong Catholic convictions he had received in his home and surroundings.

When Bruening and Secretary of State Stimson became acquainted with each other during the past Summer and began exchanging war reminiscences, they found that in 1917 their troops had lain opposite one another in the wood of Bourlon. During the war he had lived the hard life of an infantryman in the trenches. The war volunteer became a brave officer, tried in conflict and solicitous for his men. As leader of a machine-gun sharp-shooting detachment he had been directly under the supreme command, and he and his men were con-

stantly thrown in at the most dangerous points of the front, without the assurance of receiving regular supplies and with the certainty of heavy losses. The young lieutenant then had his first direct connection with Hindenburg, but not in his boldest dreams did he imagine the relationship was to be renewed on the field of politics, after stirring, revolutionary events.

After the war Bruening, with his active interest in political and economic questions, turned to public life. He associated himself with the Christian Trades Union movement and became co-worker with two of its outstanding personalities, Father Sonnenschein and Adam Stegerwald, now Minister of Labor. Sonnenschein acquired a great reputation through his social welfare activities for the young in Berlin. Bruening not only worked in his office, participating in the movement to aid students and workmen, but, going beyond it, became one of the leaders in Catholic social activity throughout Germany.

Stegerwald was at that time chairman of the *Deutsche Gewerkschafts-Bund*, a Christian labor union federation. Bruening soon became his secretary, though he was intellectually superior to his chief. Stegerwald is a self-made man of extraordinary authority in the labor movement, a strong personality, devoted to the people, with active political and social instincts and great courage. He owes a very great deal to the culture, political acumen and zeal of Bruening, of whose Cabinet he is now a member. Most of Stegerwald's speeches and papers, among them a program of German policy which caused a national sensation, derived essentially from Bruening in conception and execution.

Bruening's activities soon placed him in the Prussian Ministry for Social Welfare. But the bureaucratic career was as little suited to him as the calling of pedagogue. Before long he became executive secretary of the

labor union federation, the chairmanship of which Stegerwald resigned on his appointment as Premier of Prussia. For a time, also, Bruening was editor of *Der Deutsche*, the organ of the federation.

The May election of 1924 sent Bruening to the Reichstag as a member of the Catholic Centre party, to which he belonged, inwardly as well as outwardly, in sentiment and training. His first parliamentary speech dealt with the status of the German State Railways under the Dawes Plan, a matter in a sense connected with his doctor's thesis. The new member distinguished himself through untiring labor and a rapidly acquired command of facts. To the great public, however, he remained an obscure figure, even after he had been entrusted with the responsibility of reporting on all financial matters for the Centre group of the Reichstag. But to the inner circle he was known as one of the best informed, most adroit and hardest working members of the German Parliament. More and more he became drawn into party deliberations on important decisions. When the chairmanship of the Centre party was offered to the distinguished prelate, Dr. Kaas, the latter conditioned his acceptance on Bruening's appointment as his aide.

A short time afterward Bruening was made chairman of his party group in the Reichstag. He was then still generally unknown, much younger than the other party leaders and uncommonly conversant with the parliamentary play of forces. Strongly disposed toward the bringing of conservative elements into the State, he was on terms of close friendship with those Deputies belonging to the parties of the Right who were of his own age and could not properly assert their ideas in face of the rigid machinery of government. Those close to Dr. Bruening soon saw that a great political future was in store for him —that, indeed, the circumstances of

the time would probably place him, with his great special knowledge and political aptitude, in the front of the stage.

The tension in the political situation of Germany after Stresemann's death, the clash of principles concerning the future of the economic system and social policy, the great question of Germany's foreign relations, and the realignment of party allegiance brought Bruening his chance. After the fall of the Social-Democratic party and Chancellor Mueller in March, 1930, it was natural for President von Hindenburg to appeal to the Centre, whose parliamentary chairman Bruening had become, to assume the conduct of the government. No mere mechanical consideration, however, led to his being called to the Chancellorship. Rather was it brought about by the expectation and hope that Bruening embodied the combination of conservatism and social justice, of ardent patriotism and statesmanship, that was needed for the solution of Germany's difficulties. The unrestrained sway of parties had thrown the State and the national economy into confusion, and only through unflinching objectivity and courage in the face of unpopularity could order be restored. A modest and idealistic person who aspired to nothing for himself and to everything for the Fatherland was needed.

President von Hindenburg found his man in Dr. Bruening, whose personal acquaintance he made only then. He recognized him as a man who had the confidence of a large part of the younger generation, one who would take into account the forces of tradition, and one who in his fundamental political and social conceptions was in agreement with the Field Marshal's simple ideal of a people united with the single-mindedness of an army.

Throughout all political vicissitudes the President has stood by Bruening with that unshakable constancy which distinguishes this great soldier. The

remark made by one of the President's friends, perhaps his most intimate one, that Bruening was the best German Chancellor since Bismarck, surely corresponds to Hindenburg's personal judgment. His faith in Bruening has not been upset by the facts that some political assumptions with which the Chancellor started proved erroneous, that the party development took another course than he had foreseen, that in some of his official acts he has been deliberate rather than brilliantly forceful.

The strength of Dr. Bruening's position rests on the confidence of the President, on the respect with which he is held by his party, which secures him the closest cooperation with Dr. Kaas, and especially on the feeling among the masses of the German people that this wise and quiet man, who scorns the rhetoric of mass meetings and does not know how to beat the recruiting drum for either himself or his work, is a political figure of a new sort, the leader needed in this perilous and vital period.

Bruening's hesitation before many a decision, though often bitterly criticized, is perhaps not the worst trait in a leader faced with the enormous complexity of a world in process of collapse and re-formation. His calm firmness, which in his radio talks clearly impressed itself on the minds of millions, has won for him the loyalty of even those who would doubt and resist. His natural religious feeling and his tenacious faith in the future of his people lift him from the

rank of everyday politicians. His aversion to the clamor of the market-place and his quiet dignity are perhaps based upon conceptions which, amid the bustle of the impatient crowd, enable him to preach and practice patience.

It is out of the question that a man like Bruening should make concessions in Germany's foreign relations which he could not justify to his conscience and the nation. It is just as impossible for him to conceive them in a narrow, chauvinistic spirit. As deeply as any other statesman he is convinced of the necessity of good-will among nations and world-wide economic cooperation, but he sees that each participant is first of all a citizen and son of his own country.

With his low yet exceptionally clear and distinct voice, with his almost ascetic moderation in the pleasures of life, Dr. Bruening, a mixture of cardinal and soldier, is a new figure on the world's stage. He has the chance of becoming the true leader of his nation. The extent to which he has already mastered State and administrative technique and the complexities of international relations is remarkable. His readiness for decision, so his friends hope, will grow, as the mere parliamentary tactician grows, into a leader of men. He faces the problems of his country and of the world with a deep earnestness and a rare eagerness to assume responsibility. In an unusual time an unusual man has been called to direct the destinies of a great country.

# The Pope's Stand for Church Rights

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## I—The Dispute With Fascism

By WALTER LITTLEFIELD

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[Mr. Littlefield, a member of the editorial staff of *The New York Times* and for a generation a close student of Italian affairs, in the following article sets forth the fundamental differences between the Catholic Church and the Fascist State in Italy which he believes will continue to create problems other than those whose solution was announced by the Italian Government on Sept. 2—a joint interpretation of Article 43 of the concordat, by which the activities of Catholic Action are to be strictly religious and spiritual, and under which the federation itself is to operate henceforth as a diocesan and not as a hierarchical body, and a protocol indicating a speedy agreement as to the respective educational duties of Church and State toward Italian youth—a settlement of the situation created by Article 36. For later developments in the situation to which Mr. Littlefield's contribution supplies the background, see Professor Lingelbach's article in "A Month's World History" elsewhere in this magazine.]

THE conflict between the Holy See and the Fascist Government of Italy, for the time being neutralized by the former's renouncing its political activities and by the latter's conceding an expansion of religious education, is on account of its politico-moral character, to say nothing of its romantic phases, one of the most intriguing subjects of the day. Essentially an Italian problem—the outcome of the curious relations between the Church and the Italian State as established by the Lateran treaty—certain of its features have always been in evidence in other countries

whenever differences have arisen between the Catholic Church and civil authority or non-Catholic public opinion.

In Italy the problem was complicated by the fact that the concordat supplementary to the treaty, intended to define the purely cultural relations between Church and State, did not do so in clear and unmistakable terms. The consequences of this indefiniteness were not removed or corrected by either side, but were allowed to accumulate so that responsibility was stripped from subordinates to whom it originally attached, until the rival powers of Church and State stood revealed in stark, unabashed antagonism. Abroad the problem was obscured by the pundits engaged in Catholic propaganda who sought to demonstrate that in no circumstances was the federation of lay Catholic organizations, known as Catholic Action, permitted to indulge in political activity, although, as we shall see, its responsible heads had repeatedly given the clearest evidence to the contrary. What is now necessary is to explain the complication, clear up the mystification and, particularly, offer the means for rational interpretation of current news and discussion of the subject.

We need not go back to the days of Leo XIII, who wrote to the Bishop of Grenoble in 1892 that "we do not endeavor to enter into politics, but when

politics comes to be intimately connected with religious interests, it is the duty of the Pope to determine the way by which these interests can be appropriately safeguarded," to realize that the Holy See has always been vitally interested in political movements. Pius X removed the inhibition of Pius IX and Leo XIII against Catholics voting in national elections and, with certain reservations, against their holding public office. Benedict XV permitted the formation of Don Sturzo's *Partito Popolare*, the Catholic Popular party. Pius XI, while leaving Italian Catholics the right to use the vote as they pleased so long as it should not be used against the doctrines of the Church, has prohibited the formation of any political party.

In these circumstances, emphasized by the Lateran treaty and the supplementary concordat, politics came in Italy, more than elsewhere, to be "intimately connected with religious interests," and hence productive of the situation described by Leo XIII.

About the same time that Fascism came in power in 1922, Pius XI organized Catholic Action (*Azione Cattolica Italiana*) in order to unify the then loosely connected Catholic lay societies of Italy and to bring them more directly under his authority. It is composed of eight organizations, which comprehend many subsidiary bodies, having a membership of between 370,000 and 400,000 and including the Catholic Men's Federation, Catholic Women's Federation, Catholic Young Men's Society, Catholic University Students' Federation, Board of Public Morals, School Board, and the Institute of Economic and Social Activities. Their names sufficiently connote their spheres of action, under the principles governing Catholic Action.

In addressing delegates from the Catholic University Students' Federation on Sept. 8, 1924, Pius XI said: "Catholic Action, while not partaking in politics as such, intends to teach Catholics the best way of making use

of politics. It offers the training demanded by every profession. Those who want to do good in politics cannot escape the duty of a suitable preparation."

This idea of the mission of Catholic Action as a moral influence on politics has since been expanded by Count Giuseppe dalla Torre, chairman of the executive committee of Catholic Action and editor of *Osservatore Romano*, the Vatican lay newspaper, both in an article written by him for *The Forum* of March, 1926, and in his book on the subject published two years ago. He first demonstrates that "political actions cannot be dissociated from moral law," nor from the Catholic Church, which is the custodian of moral law; hence the Church "cannot ignore politics; neither can politics repudiate the guidance and advice of the Church." As to Catholic Action, he writes: "It does not abstain from political matters because in the first place, being primarily an organization designed to mold the social conscience of Catholic citizens, it must face politico-moral and politico-religious questions and indicate their solution; in the second place, because it is a defensive movement intended to safeguard the rights of the Church as well as moral and religious liberties, and must therefore enter the political field in which alone the defense can be operative, through legislation or legal representation."

Similar evidence as to the mission of Catholic Action is found in a letter by Cardinal Gasparri, written when he was Secretary of State, to the presidency of the *Social Weekly* of Naples on Sept. 18, 1925, and also by the Pope in a letter dated Nov. 12, 1928, to Cardinal Bertram, shortly before the conclusion of the Lateran agreements.

Does the foregoing testimony show that Catholic Action could be regarded by the non-Catholic mind, or even by the unprejudiced Catholic mind, as solely and exclusively a religious organization for the propagation of the

faith among Catholic laymen? Such were the limits given it by many of its defenders, but only pledged by the Holy See in the settlement announced on Sept. 2.

On the other hand, fascism is solely and exclusively a politico-social institution which claims to direct Italian thought and action in every expression of life, to educate this life to realize its ideals, in accordance with its own moral code as applied to individual, family and organized society. The Pope has repeatedly demonstrated, and nowhere more plainly than in his encyclical of June 29, 1931, that the Holy See's conception of these things is very different.

When the representatives of the Pope and Premier Mussolini began to negotiate in August, 1926, the outstanding causes of purely political conflict had been already adjusted. The Pope had dissolved the Catholic Popular party, which was obstructing the development of fascism; Mussolini suppressed Freemasonry, which, although measurably contributing toward the establishment of the Third Italy, had, for that very reason, always been a thorn in the side of the Vatican. In the religious field, regulated by the concordat, Mussolini had restored the symbols of Catholicism to both school and court room and had allowed religious instruction by ecclesiastics to be given in the elementary schools. The Pope now demanded similar instruction for the secondary schools by means of Catholic textbooks on all subjects.

The result of the negotiations on the subject of education is to be found in Articles 35 and 36 of the concordat. The former gives entire freedom to all schools maintained by the Church, "with equal opportunities for candidates of government and religious institutions." The latter reservedly confirms the Pope's demand as to the secondary schools "according to a program to be agreed upon between the Holy See and the State."

In order to protect the status and

activities of Catholic Action the Pope drafted an article in the following terms: "The State recognizes the organizations dependent on Catholic Action in Italy, which has been constituted by the Holy See outside and above every political party and under the immediate supervision of the hierarchy for the affirmation, diffusion, realization, and defence of Catholic principles in individual, family and social life."

Mussolini struck out the phrases "and above" and "in individual, family and social life," and otherwise modified and expanded the article so that it now reads as Article 43 of the concordat: "The Italian State recognizes the organizations dependent on Catholic Action in Italy and in so far as they, according to the dispositions of the Holy See, exercise their activities outside any political party and under the immediate supervision of the hierarchy of the Church for the purpose of spreading and putting into effect Catholic principles. The Holy See takes the opportunity of the conclusion of the present concordat to renew to all the clergy and members of religious orders in Italy the prohibition to join and take a militant part in any political party whatsoever."

During the negotiations the Pope repeatedly advised the incorporation of some phrase in Article 1 of the treaty which should make the practice of any religion, save the Catholic, illegal in the State of Italy, as, for example, after the words "whereby the Roman Catholic Apostolic religion is the sole religion of the State," the insertion of the phrase, "and the practice of all other religions is hereby prohibited by the Italian State." Such an inhibition would have been contrary to the Italian Constitution and so was rejected. On the other hand, it can easily be proved that in Italy non-Catholic communions do not possess the same freedom of action they enjoy in countries where there is complete separation of Church and State.

When the Pope's draft of Article 43 of the concordat was being altered and Article 36 was in suspense, Pius XI voiced his anxiety on the two questions involved as well as on the conception of individual and State maintained by fascism in the consistorial allocution of Dec. 20, 1927, as follows: "It seems that an obscure threat (a threat in the form of clouds of suspicion, intrusion and difficulties) is suspended over the organization and the work of Catholic Action, the apple of our eye. And it seems, too, that the education and Christian molding of youth, which is the most exquisite part of the Divine mandate, is in danger. Once again, we hear proclaimed a conception of the State which cannot be a Catholic conception—a conception which makes the State an end, and the citizen—that is the man—a means by monopolizing him and absorbing him in the former.

Since then, either to voice his discomfiture since his extreme demands on education, Catholic lay organization and exclusive religious predominance were not conceded, or to expound his reasons for such demands, Pius XI has on several occasions resorted to letters and sermons. Typical examples are his address on education to the Congregation of Rites on July 19, 1931, his encyclical of Jan. 11, 1930 on the same subject, his views on organization as revealed in his encyclical of May 23, 1931, and his homily on Protestant proselytism addressed to the students of Mondragone College on May 14, 1929.

Had any other sovereign undertaken to criticize the treaty he had concluded with a friendly State, thus to censure the administration of that State, the latter would certainly have regarded it as an "unfriendly act." But the international situation produced by the Lateran treaty, the financial convention, and the concordat, all signed on Feb. 11, 1929, was peculiar. The political and territorial entity of the Vatican State had been brought into being, but it was an *im-*

*perium in imperio*, whose head, by virtue of his spiritual prerogatives as the Vicar of Christ, undertook to direct the morals of the other State whose territory surrounded his own, direct them by means of mutual agreement and, if the agreement failed, by other means.

Article 43, as until recently interpreted by the Pope, did not prohibit the exercise of political influence and activity on the part of Catholic Action, as defined by both the Pope and the executive of that federation, "outside any political party," and the inability of the Holy See and the Italian State to agree upon an educational program, as provided for in Article 36, brought about the situation which found expression in overt acts last May. Added to this was the undisputed evidence that the societies dependent on Catholic Action were being organized in militant form with flags, badges, uniforms and membership cards. Moreover, it was discovered by the O. V. R. A., the voluntary organization for suppression of anti-fascism, that Don Sturzo's former lieutenants were directing some of the societies, among whose members were individual adherents of the *Alleanza Nazionale* and other anti-Fascist organizations.

If the revelations of the O. V. R. A. were proved it was the privilege of the civil authorities to register a complaint with the hierarchy under which Catholic Action then operated. But affairs were allowed to drift. Workers belonging to Catholic organizations who had failed to register with a Fascist syndicate were intimidated, cajoled and sometimes assaulted; the rivalry between Catholic and Fascist organizations to secure members led to all manner of coercion on both sides.

It was still time for the civil authorities to act when squadrons of Black Shirts raided the Catholic organizations and destroyed some Church property, including a portrait of the Pope. But, as has been usual on such

occasions, the police did not intervene, and no evidence was produced for the magistrates. Only preventive measures for the future were taken. Troops were sent to guard Church property, and the Catholic organizations were closed in order to discourage future raids—or to collect evidence as to their alleged delinquencies.

In the conversations which ensued, supplemented on one side with accusations by the Pope and on the other by counter-accusations by Fascist spokesmen, and on both by the polemics in the press, certain things are observable. In the diplomatic sphere the Pope presents proofs of his charges and demands reparation and apology; the State neither refutes nor denies these charges and evades the demands; in the lay sphere neither side appears to have laid its charges before the proper authorities; there is no evidence to show that Catholics retaliated in kind to the initial aggressions of the Black Shirts; finally, while Mussolini appeared to assume a waiting, defensive, even a conciliatory attitude, the Pope carried the war into the enemy's country, as may be assumed from certain passages in the Encyclical on Catholic Action which, though dispatched abroad on June 29, 1931, was not made available for the Italian State until July 4—a proceeding hardly in keeping with diplomatic usage, the Fascist authorities declare.

In this document the Fascist Government directly and Mussolini by implication are accused of hypocrisy:

"It is clear that all the accusations formulated against Catholic Action were nothing but a pretext \* \* \* to tear away from the Church the young," and this view is rendered "more explicit and categorical \* \* \* by one who not only represents all, but who can do all and who confirms it in official or semi-official publications dedicated to the young," and who has permitted the re-establishment of "anti-religious organizations \* \* \* and has made them stronger and more dangerous, inasmuch as they

are now secret and also protected by a new uniform."

The encyclical declares that "it is not possible for a Catholic to reconcile with Catholic doctrine the pretense that the Church and the Pope must limit themselves to external practices of religion, such as the mass and sacraments, and then to say that the rest of education belongs to the State." It asks: "What interest and success can a party have in a Catholic country like Italy in maintaining ideas and practices which cannot be reconciled with the Catholic conscience?" It condemns the Fascist oath as "illicit," recommends to Catholics a mental reservation in taking it "with the firm proposal to declare also externally such a reservation if need might arise," or "far better would it be to omit the oath altogether, since an oath is always an act of religion and certainly has no appropriate place in taking up membership of a political party."

By indulging in such accusations, declarations and condemnations and by formulating such unusual conduct for the citizens of another State, some persons may imagine that the Holy Father is taking undue advantage of his status as a temporal ruler. That is not the case. If it were, of course, the State would not and could not tolerate such conduct on the part of an alien sovereign. The Pope speaks in his capacity as the head of the religion which, by the Lateran treaty, is acknowledged to be the State religion. In that capacity he is free to censure the government and instruct its Catholic citizens in regard to Catholic doctrine.

The encyclical of June 29 gives the most comprehensive exposition on the side of the Holy See uttered up to Aug. 1. As late as that day the Fascist Government had not officially replied to it. Meanwhile, three widely differing Fascist opinions of it may be deduced from the mass of material at hand:

1. That the Holy See is making

use of the spiritual authority of the Pope in order to disrupt or to reform the Fascist Government in accordance with Catholic doctrine. In either case an expansion of the Pope's temporal power is predicted.

2. If the Pope's acts and utterances are to be explained on the ground of an ill-advised conception of his temporality they are to be condemned, because they connote a claim and privilege allowed no foreign sovereign. Hence it follows that any interference with constituted Fascist institutions or their heads, any attempt to direct their conduct or to define their oaths to sovereign, State or party, constitutes a breach of privilege and an infringement of Italy's sovereignty.

3. Under cover of an undisputed spiritual authority Italy cannot allow the Holy See to exploit its peculiar brand of "freedom of conscience" when that brand is the opposite of that allowed by the Constitution of the Italian State. The Holy See cannot have it both ways; it cannot use its temporal power in support of its religious authority; it cannot take advantage of its spiritual ascendancy to further

its political aims within another State.

All this, however, seems to be beyond the point or conjectured from incomplete evidence. No matter how ways, means and utterances may be criticised, is it not a fact that every human thought and action has its moral side? It is this moral side which the Church would direct and develop, not only in Italy, but among Catholics all over the world. In Italy this direction and development was rather loosely regulated by the concordat for the simple reason that neither the Holy See nor the Fascist State could agree as to the precise prerogatives of the other. They could not agree because each had its own conception of the functions of the individual, the family, and the State. As long as the Holy See is what it is, as long as the Fascist State is what it is, neither may alter its conception of the elements which compose human society, although, as is shown by the new interpretation of Article 43, the Church may renounce authorized political activity and the State, by agreement under Article 36, may allow the Church to expand its educational dominion over youth.

## II—The Attack on Socialism

*By ROBERT DELSON*

[The writer of this article, an attorney practicing in New York City, is a member of the Socialist party of America who has made a special study of the policy of the Catholic Church in relation to labor and socialism. Previous articles written from other standpoints by Professor Robert M. MacIver and the Rev. John A. Ryan appeared in CURRENT HISTORY for July, 1931.]

**T**HAT might have been expected that at the Congress of the Labor and Socialist International meeting in Vienna in the last part of July some reference would have been made to the encyclical on labor and socialism

issued by Pope Pius XI only a few weeks before. That the 600 or more delegates from twenty-six countries studiously refrained from mentioning the topic is not surprising in view of the long-established practice of Socialist parties to avoid the injection of the religious issue for fear that it might obscure the economic or class issue, which is to them the most important question facing the working class. This policy was adhered to at the congress despite the fact that both Socialists and Catholics believe the opposition of the Catholic Church to

be perhaps the one obstacle to the triumphant march to power of the Socialists in many European countries.

This policy of ignoring the issue is, however, not shared by the Roman Catholic Church, which has often given voice to its views on social problems and socialism, as the Pope does in his encyclical entitled "After Forty Years," issued on May 15 in commemoration of the fortieth anniversary of Leo XIII's *Rerum Novarum*. There have been other papal expressions of opinion on the same subject, but the present Pope's encyclical is undoubtedly of greater practical significance than any of its forerunners. While the purpose of Leo XIII's letter was to offer a remedy for the social ills of his time, and at the same time combat the growth of the Socialist movement, the Catholic expedients hitherto adopted have not prevented the intensification of the former nor the expansion of the latter. How far the views of Pius XI differ from those of his predecessors on these two issues is a question of great interest and merits consideration from a historical standpoint.

The first expression of pontifical opinion directly on the subject appears in the encyclical issued by Pius IX in 1846, when the ominous rumblings of revolution were already reverberating throughout Europe. Like a great many others which followed it, the letter was directed against all the "modern ideas" of the time. Communism was "the abominable doctrine so diametrically opposed to the law of nature itself, which, once admitted and recognized, would overthrow every species of law and right and property and destroy the very foundations of human society." The Pontiff went on to make an appeal to the rulers of nations to help strengthen Catholicism in self-defense, an appeal which was to be many times repeated thereafter. Pius IX reminded them that "we, whilst we maintain the cause of the Church, maintain that also of their Kingdom, and of their safety, so that they may

hold their provinces in undisturbed possession." Events have not belied the truth of the claim so early made that Catholicism was to be a bulwark against social and political change.

In the famous Syllabus of Errors, issued in 1864 at Pius IX's command, we find another sweeping condemnation of socialism, but not until Leo's encyclical of 1878 against "Socialism, Communism and Nihilism," do we have a complete statement of the papal objections.

In the meantime great events were happening among the Catholics in Germany. In 1847 Father Kolping had founded mutual relief societies for Catholic workers, but the Catholic social movement did not begin in earnest until Emmanuel Ketteler, Archbishop of Mainz, commenced to devote his tremendous energies and remarkable personality to the task. Paradoxically, yet naturally enough, the founder of the Catholic social movement derived his emotional stimulus from the Socialist Lassalle. Speaking of this matter, Nitti in his book *Catholic Socialism* says: "Carried away by the bold and ardent propaganda of Ferdinand Lassalle, he [Ketteler] believed it to be his duty as a Christian and a Bishop to interest himself in the social question." The importance of Ketteler's work may be judged by what Archbishop O'Connell said of him: "He was the pioneer of Christian social reform. Leo XIII did not disdain to call him his great predecessor and framed his famous encyclical on Labor along the lines of von Ketteler's program of action." (Preface to Laux's *Ketteler's Social Reform*.)

Ketteler was the first to state the Catholic case against socialism as well as the first to formulate the positive Catholic program of reforms. In 1848 in his sermons on the "Great Social Questions of the Day" he took up only the argument against socialism. Some of the Bishop's remarks were intended as direct refutations of the *Communist Manifesto* of Marx and Engels.

He found socialism incompatible with St. Thomas Aquinas's doctrine that man has a natural right to own private property which the State may not abolish. It was inconsistent as well with the even more basic idea of the great scholastic, that all rights possessed by man are God-given, and consequently the mere fact that a majority or the totality of the people desire a change such as the abolition of private property does not make it a proper one, if it is inconsistent with God's word, as interpreted by the Catholic Church. In fact, he makes clear in his later writings his belief that the Liberals, who share the Socialist view that the people have the right to make any laws they see fit, ought logically to be Socialists since they take away the most basic objection to socialism—the divine prohibition against the abolition of private property.

At this time Ketteler leaned so heavily on St. Thomas that he did not believe it necessary to advance any program of reform, but relied on a spiritual uplifting to cure the social evils. By 1864, however, he had changed his views, and in that year he brought out a program of reforms in his most famous work, *Labor and Christianity*. He accepts almost in its entirety Lassalle's denunciation of the existing order. He also advocates Lassalle's somewhat utopian remedy of cooperatively owned workshops. He does not agree, however, that the funds for their acquisition should be advanced by the State but believes they should be raised by suscriptions from Catholics, particularly employers. The Bishop even subscribes to Lassalle's belief in the "Iron Law of Wages." All this does not mean that he was a Socialist, for he reiterated the doctrine of the natural right to own property.

Many other of the Bishop's ideas are re-echoed in the encyclicals which followed. The demand that labor cease to be treated as a chattel, the necessity for the formation of unions

and for their foundation on religion, the need for returning to the guild system, the desirability of labor legislation, the inevitability and desirability of inequalities in wealth distribution and the denunciation of the class struggle were to become familiar adornments of Catholic pronunciamentos.

The most striking fact about Leo XIII's encyclical on "Socialism, Communism and Nihilism" is its omission to mention the condition of the working class and its consequent failure to suggest any remedies. This is all the more noteworthy since Ketteler had already both denounced existing conditions and advocated sweeping reforms. The only indication of a recognition of existing evils is Leo's admonition to the rich to give generously of their superfluity, for, he said, "herein lies the best means of appeasing the undying conflict between the rich and the poor." The one other recommendation for the workers appears to have had a similar motivation. Because the workers are easy prey to confederates of socialism, "it seems expedient to encourage associations for handicraftsmen and laboring men, which, placed under the sheltering care of religion, may render the members content with their lot and resigned to toil, inducing them to lead a peaceful and tranquil life."

The rise of socialism is attributed by Leo XIII to the growth of the irreligious or at least non-Catholic spirit which began with the Reformation rather than to economic changes. The great evil of this school of thought is its belief, already denounced by Ketteler, that the people have the right to determine their own laws. Again and again in later encyclicals Leo labors this democratic concept—in "Freemasonry" (1884), "Christian Constitution of States" (1885), "Human Liberty" (1888) and "Chief Duties of Christians as Citizens" (1890). He repeats Pius IX's appeal to the princes of the world to fortify

the Church in their own interest. The Church alone, Leo argues, is "possessed of the power to stave off the pest of socialism." Finally, he contrasts the Socialist appeal to workers not to endure poverty meekly with the Catholic view which teaches the necessity for inequality and submission. The Catholic doctrine was thus in accord with the advice given to the workers by the industrial magnates as well as the political rulers. This little-remembered document will undoubtedly not be adduced in support of the claim that Leo's writings are the source from which flows all the rights of the workers.

While Ketteler himself was not a Socialist, at least some of his most ardent disciples were dangerously near the border. For instance, Canon Hitze in many respects held the same theories as Karl Marx. He believed that social institutions are nothing but a reflex of the method of production and advocated a cooperative social order; his theory of crises and his belief in the necessity for compulsory State intervention in industrial organization are couched in outright Socialist terms. More amazing still is his contempt for charity, the time-honored Catholic remedy for all social ills. Another incident, in which Leo XIII was well nigh the Diocletian and Cardinal Gibbons the Constantine of the Knights of Labor, showed that even American Catholics were not immune from radical ideas, for it was with great difficulty that Cardinal Gibbons prevailed upon Leo to recall the excommunication issued against that organization on account of its Socialist tendencies.

It appeared to be high time for Leo XIII to intervene to guide the movement away from dangerous channels, and accordingly his encyclical *Rerum Novarum* was issued in 1891. In sharp contrast to his previous message, we have here a ringing denunciation of the hard-heartedness of employers and a recognition of the vast disparity be-

tween the conditions of the two classes. So, too, we find the Pope now advancing various proposals for relief, as well as renewing his attack on socialism. He vigorously condemns socialism as contrary to St. Thomas's basic idea, already similarly invoked by Ketteler, that "every man has a natural right to possess property as his own." The social problem cannot be solved without the assistance of the Church, says Leo, and the first principle upon which the Church proceeds is the necessity for wide inequality in material conditions. R. H. Tawney has said that the belief in the doctrine of inequality is so intensely held by the proponents of the present economic system that it amounts almost to a religion—"the religion of inequality" as he phrases it. With perhaps more literal propriety the term might be applied to the Catholic faith itself, so insistent is its reiteration of the need for inequality.

Leo urges, however, that this inequality need not bring about conflict between the classes, if the precepts of the Church are followed. Those who possess property should perform the duty of Christian charity and give alms to the poor; the poor should remember the example of Jesus and learn tranquil resignation. Nevertheless, says Leo, the State has a part to play in the work of remedy and relief, and it is in the suggestion that follows that we find one of his two major contributions to the cure of social ills. Within certain limits it would be right for the State to interpose its authority in certain spheres, as in preventing employers from laying unjust burdens upon workmen, in forbidding excessive hours and in regulating the employment of women and children.

The other important contribution of Leo XIII is his advocacy of working-men's associations. What is needed, however, is not merely the usual workingmen's associations (the Socialists had already labored on their necessity) but distinctively Catholic

associations, entirely apart from ordinary unions led by Socialists: "They must pay special and chief attention to piety and morality"—to their dealings with their God apparently rather than with their employers. The unions may be of workers alone or of workers and employers together. No

reference is made to the use of such organizations as instruments for increasing the power of the workers to wrest concessions from employers; their function rather is to settle disputes and act as benefit societies and religious centres. The chief additions of this encyclical to Leo's philosophy are therefore the idea that the State has some right to intervene in the affairs of business, and his increased emphasis upon the need for unions, both of which ideas originally found their place in Catholic thought through Ketteler's work.

One of the most progressive features of the encyclical was its omission of both the familiar plea to the heads of States to support Catholicism for its value as a dike against the flood of revolution, and of the usual attack on democracy. But these omissions were made up for in Leo's next message on the question—his apostolical letter on "Christian Democracy," issued in 1901, which in other respects as well marks a retrogression rather than an advance in the Pope's social philosophy. The reason for issuing the letter was his desire to terminate the differences which had arisen among Catholics as to the proper method of applying the principles he had enunciated. One group, called Catholic Conservatives, opposed any increase in State intervention, while the other group, called Catholic Progressives, favored an increase. (See H. C. Day's *Catholic Democracy*.) To settle the question, and to settle it on the side of the Conservatives, was the purpose of Leo's letter. Leo's successor, Pius X, indicated his approval of Leo's position, in the nineteen rules of Catholic Action, contained in his apostolic letter to the

Bishops of Italy. Benedict XV, who followed Pius X, took up the Socialist question in his first encyclical, issued in 1914. His contribution was an increased emphasis upon the virtues of inequality, and the need for brotherly love among the rich and the poor alike.

If we turn now to the latest encyclical, the *Quadragesimo Anno* of Pius XI, we shall find that our survey of the history of the Catholic attitude toward the social question constitutes a summary of that encyclical as well. In the section dealing with the benefits derived from Leo's encyclical, it is asserted that the enactment of the body of jurisprudence dealing with workers' rights is a result of Leo's endeavors. A detailed history of the development of such legislation in Great Britain and France by a keen student indicates that in those countries at least the radical workers' organizations, rather than the Catholic Church, were the motivating force in this growth. (See Charles W. Pipkin's *Social Politics and Modern Democracies*.) In this country, the opposition of the Catholic Church to child labor legislation does not appear to lend support to the claim of Pius XI.

Apparently Pius XI does not attribute the general growth of trade unionism to Leo's endorsement thereof, for he states that the "higher distinction" of *Rerum Novarum* was its encouragement of separate Catholic unions. This commendation of the formation of dual unions would undoubtedly not be echoed by trade unionists generally.

The next section of the encyclical deals with the "Authority of the Church in Social and Economic Matters." Pius here reiterates St. Thomas's distinction between the right to own property, which is not subject to abridgment, and its use, which may properly be restricted. But whether that restriction is to be legally enforced or whether it is to be left to the exercise of charity by em-

ployers is left in greater doubt than when Leo wrote. While Pius speaks of guaranteeing a just wage by the introduction of such reforms as family allowances and minimum wages, he does not specify whether the State is to compel their introduction. The subsequent statement that this part of his message is addressed to individuals alone and not to the State makes it appear that he, too, is relying on the employers to fulfill what Leo had described as their "moral duty" to pay fair wages.

Pius asserts the essential justice of the wages system, but proposes its modification by a contract of partnership. He also proposes the institution of a modified guild system as the only means of abolishing the class struggle, the existence of which he thus implicitly recognizes. Pius is not the first to look to the guild; Leo had attributed the evils of his time to the break up of the guilds; Ketteler, and more ardently Canon Hitze, had already advocated a return to the guild. Opponents of the idea will doubtless point out that the existence of an antagonism of interests being assumed, as it appears to be by the Pope, an alteration in the methods of combat will not lessen the conflict of interests.

Of particular interest is the praise lavished by Pius upon the Fascist adaptation of the guild principle. The "repression of Socialist organization and efforts" is singled out for commendation, while Communist restrictions upon religious liberty are bitterly denounced.

The next section of the encyclical, dealing with changes since Leo XIII's time, contains of necessity a great many ideas not found in earlier works. Pius takes note first of the changes in capitalism and then of those in socialism. His recital of the former would not seem to conflict greatly with what Karl Marx had foretold in Leo's time. Pius speaks of the great accumulations of wealth, the immense

power and despotic domination concentrated in a few hands, the shift of power to finance capital as opposed to industrial capital, the death of competition and so forth. The Pontiff apparently suggests as a remedy for these evils the public regulation of monopolies.

The changes in socialism are then taken up. Undoubtedly Socialists would disagree with the statement that they have receded from their belief in the class struggle and the need for the common ownership of the means of production, but despite the changes which he attributes to socialism, Pius finds it still objectionable. In fact, he says, even if it so moderated its principles of common ownership and the class war that it was no longer reprehensible in these respects, it would still be unacceptable because it is concerned only with man's earthly needs.

This objection to socialism is not entirely new to Catholic thought, but it is here fraught with the greatest significance because it is put forward as the basic condemnation. It may with some show of reason be urged that this amounts to a withdrawal of the traditional objection, which was directed against the proposed abolition of private property, in view of the truly remarkable concession that "certain forms of property must be reserved to the State since they carry with them an opportunity of domination too great to be left to private individuals." If expediency requires the abolition of private property in one industry today, it may dictate the abolition of private property in many more tomorrow, and in all industries thereafter, and the divine injunction against the abolition of private property is apparently non-existent. At the same time it must be noted that this theoretical concession as to the propriety of public ownership does not lead the Pontiff to advocate any extension of such or any other State ventures. Neither does it cause a mitigation in the Catholic practice of

urging opposition to socialism, as is indicated by the praise of the Fascist repression of Socialist activity. As for the objection to the material aims of socialism, a Socialist government to which Catholics yielded gracefully might not find it difficult, if it so desired, to placate Catholicism on that score by such measures as the assurance of religious liberty.

What, then, is the present position of the Catholic Church on socialism and on the solution of the ills of society as compared with its previous views? Apparently the intensification of the latter has not led to a more radical policy, while the growth of the former has resulted in what appears to be a doctrinal retreat.

Pius does not advocate any new forms of labor legislation, limiting himself to commendation of such legislation as already exists, whose enactment he attributes to Leo. While his proposal to modify the wage system by partnership arrangements and his advocacy of a living wage have

been hailed by Catholic writers, he does not urge the enactment of these measures into law. Neither is any great emphasis placed upon the organization of unorganized workers into unions. Finally, it should be noted that Pius lays great stress upon the value of charity and a return to religion in the solution of the social problem.

These considerations justify us in concluding that Pius XI does not propose a great advance in the Catholic social program. His attitude on socialism, as we have seen, does seem to constitute a departure from previous Catholic doctrine, even though relentless hostility still is taught. Despite the apparently unyielding view that "no one can be at the same time a sincere Catholic and a true Socialist," the theoretical concession to socialism with respect to private property may provide a precedent for a sweeping change in position if it should ever be necessary and convenient.

# President Harding: A Reappraisal

By SHERMAN BLANCHARD\*

EIGHT years have passed since the death of Warren G. Harding, the twenty-ninth President of the United States. Until recently contemporary history seemed more likely to accord him a place in the shadow than in the sun. In fact, even as these words were written the scandals of his administration were being refreshed in the public mind by the imprisonment of his Secretary of the Interior, Albert B. Fall, for accepting a bribe.

But another recent event has marked a sharp change of sentiment toward President Harding. The tomb at Marion, Ohio, where he and his wife rest, was finally dedicated on June 16, 1931, after unseemly delay, and addresses were delivered by President Hoover and former President Coolidge. A striking reversal of popular feeling toward Harding was brilliantly and forcibly expressed in their dedicatory addresses and widely reflected in the press. Their objective appraisals of the administration in perspective had an enormous effect in shaping a more favorable public opinion and in fixing Harding's place in history.

President Hoover in his address frankly faced the scandals of the ad-

ministration and denounced the men who had betrayed both the late President and their country, but he declared that "these acts never touched the character of Warren Harding." His address recognized the fact that the scandals of the Harding Administration were not mere muck-raking or political propaganda, but had a basis in fact.

Any effort at impartial appraisal of President Harding must take into account his official acts, his personal life and the acts of his appointees. On the whole, his private life, so far as known, even if not wholly discreet and blameless, does not raise the question of his fitness for the office of President.

The task of his administration was one of reconstruction and readjustment after the World War. A return to "normalcy," he phrased it. What sort of men did Harding bring into his official family and who were his betrayers?

The appointment of Charles Evans Hughes as Secretary of State, by common consent then and in the light of his previous and subsequent service, reflected credit upon the appointing power and brought to the service of the nation a man of pre-eminent character and qualifications.

To the portfolio of the treasury Harding called Andrew W. Mellon, whose qualifications were abundantly demonstrated through the Harding

\* The author of this article is a gentleman of high character. In the preparation of this manuscript he has exercised the greatest care, and his facts are the result of close research of official records. He was not identified with the Harding Administration and has never participated in political activities. This study was undertaken by him in a spirit of strict impartiality and non-partisanship.

Administration and by his continuance in the office under President Coolidge and President Hoover.

John W. Weeks served acceptably as Secretary of War until his resignation in October, 1925. He died in 1926.

Harry M. Daugherty as Attorney General, the head of the Department of Justice, betrayed the President. His appointment was a reward to an old friend for political services. A storm of criticism followed the developments of his administration and he resigned March 28, 1924, at the request of President Coolidge. Impeachment proceedings against him in the House had failed, and his betrayals did not result in conviction for illegal acts, but his usefulness was at an end, and he slipped out of the national picture back into the provincial political life whence he came.

In filling the position of Postmaster General, President Harding paid another political debt by the appointment of Will H. Hays, chairman of the Republican National Committee. He continued in the office only a year when he resigned to enter business.

The administrative ability of Edwin Denby, appointed to the navy portfolio, was questioned, but criticism of his acts in connection with the transfer of oil leases from the Navy Department to the Interior did not impugn his honesty. He resigned in March, 1924, and died in 1929.

The major betrayal of President Harding must be attributed to Albert B. Fall, his Secretary of the Interior, who resigned after two years. Fall had been in the Senate with Harding. He had served in the New Mexico Legislature, the State Supreme Court and as Attorney General of New Mexico. He dominated Republican politics in the State for years. Now, an old man, convicted, discredited, broken and ill, he has entered a New Mexico penitentiary to serve a sentence of a year and a day for accepting a bribe to influence his official acts in leasing naval oil reserves of the government.

Henry C. Wallace, who headed the Department of Agriculture, died in office on Oct. 25, 1924.

To the portfolio of the Department of Commerce President Harding called Herbert Hoover, whose building up of the department into one of the most dynamic, important and far-reaching branches of the Federal Government was a major factor, as had been his service in the World War, in bringing him to the President's chair himself in 1929.

James J. Davis, Secretary of Labor, completed the Harding Cabinet.

Two members out of a Cabinet of ten betrayed the President and public confidence in them. Eight were faithful to their trust, while Hughes, Mellon and Hoover served with conspicuous ability.

The major betrayals which darkened Harding's Administration were those by Secretary Fall, Attorney General Daugherty, Colonel Charles R. Forbes, Director of the Veterans' Bureau, and Thomas W. Miller, Alien Property Custodian.

Secretary Fall convinced President Harding and Secretary of the Navy Denby that the control of the country's naval oil reserves conserved in the ground for a national emergency under a policy established by President Roosevelt and followed by President Taft and President Wilson should be transferred from the Navy Department to the Department of the Interior. The President, relying on the advice of Fall and Denby, signed an order to that effect in May, 1921. It subsequently was shown that he did not have power to issue such an order. Fall secretly and without competitive bids leased the Teapot Dome reserve of 9,000 acres in Wyoming to the Mammoth Oil Company organized by Harry Sinclair. The now all too familiar Senatorial investigation, pressed courageously by Senator Thomas J. Walsh of Montana, disclosed the facts of the deal. To make a very long story very short, the Teapot Dome and other oil leases eventually were invalidated

by the United States Supreme Court, which held that they were "shot through with fraud and corruption." The government recovered control of its property and the courts began to grind.

About this time Fall paid up years of back taxes on his New Mexico property, bought more land, stocked his ranch with blooded cattle from Sinclair's New Jersey farm and built an expensive hydroelectric plant at a total cost of about \$200,000. The country and Congress wondered where the money came from. A frank explanation was not forthcoming. Finally Fall stated that he had borrowed \$100,000 from Edward B. McLean, Washington newspaper publisher. McLean at first said he had lent the amount, but later frankly admitted that he did not in reality make such a loan; he had merely given checks, which were returned a few days later uncashed and were destroyed, Fall explaining that he had obtained needed funds elsewhere.

The "elsewhere" proved to be Edward L. Doheny, to whom the Elk Hills Naval Oil Reserve No. 1 in California, 32,000 acres, estimated to contain 250,000,000 barrels of oil, had been leased in secret—a lease from which Doheny later said he expected to make \$100,000,000. Doheny appeared before the Senate Committee and stated he had lent Fall \$100,000 without security, moved by consideration for an old friend in financial straits. The cash was sent to Fall in the now famous "little black bag." The sinister import of this transaction was indicated by subsequent developments. In a few months Doheny obtained rich oil leases from Fall without competitive bidding.

One jury later acquitted Doheny of bribing Fall, but another convicted Fall of accepting the "loan" as a bribe, and it was for this bribe to influence his official action that he finally went to the penitentiary. Fall, Doheny and Sinclair were acquitted of conspiracy charges. Sinclair was eventually sen-

tenced to jail and fined for contempt of the Senate and "jury shadowing."

Secretary Denby resigned on March 10, 1924, insisting that the oil leases were legal, that if he had the question to deal with over again he would do as he had done, and he challenged his foes to impeach him. President Coolidge accepted his resignation, stating "you will go with the knowledge that your honesty and integrity have not been impugned."

The second major betrayal was by Attorney General Daugherty. He and President Harding had grown up in the same school of Ohio politics and had been close personal friends for years. Daugherty had played a major part in bringing about Harding's nomination. The post of Attorney General was the first high public place he ever held. He entered the Cabinet acclaimed as the Warwick of the administration. His conduct of the Department of Justice was continually under fire. He was frequently assailed in Congress, one of the attacks culminating in impeachment proceedings. His department was attacked for delays and failure to convict in war fraud cases and in prosecuting those accused in the Veterans' Bureau and the oil lease inquiries, for failure to enforce anti-trust laws, for favoritism to bankers, questionable practices in relation to pardons, diversion of funds, failure to recover oil lands, appointment of corrupt persons to office and on other charges. Impeachment proceedings, however, ended in his being exonerated by the House.

But public criticism of Daugherty continued. He had rejected President Coolidge's suggestion that he resign pending the inquiry and vigorously fought the charges. Finally, however, his usefulness plainly at an end and a large section of public opinion demanding his dismissal, he resigned on March 28, 1924, at the request of President Coolidge. In many quarters Daugherty's appointment had been considered a mistake from the start. That President Harding had confi-

dence in him, however, was evidenced on many occasions, before and after the appointment. When his rumored appointment was opposed in some quarters before it was announced President Harding replied privately to critics that they simply did not know Harry Daugherty, but that he, the President, did, and that Daugherty was "all right."

Even when questions arose as to the fitness and integrity of some of his subordinates Harding was slow to credit the mounting evidence against them. Only as he neared his fatal illness did he seem to begin to have "a dim realization" that he had been betrayed by friends whom he had trusted. On one occasion, when unmistakable evidence of the crookedness of a minor official was presented to him, he remarked sadly, "I am being crucified by my friends." This realization seemed almost to paralyze his will as well as sear his soul. It unquestionably hastened his death.

To Daugherty, steeped for a lifetime in the political philosophy that to the victor belong the spoils, public service meant a means of partisan gain and personal advantage. During his term the names of such associates as Jesse Smith, Roxy Stinson and Gaston B. Means paraded through the news. Deals in oil, liquor, prize fight films, paroles, pardons and war contracts were related. Means eventually was fined \$10,000 for violation of the prohibition act and sentenced to two years in Atlanta Penitentiary.

Whether all Daugherty's associates did all the things charged or not, was relatively unimportant. The essential fact was that such dubious characters enjoyed close personal and official relationships with the head of the Department of Justice. They contributed much to the low tone of partisanship, spoilsmanship, inefficiency and dishonesty which characterized this phase of the administration. Means's character was further indicated by his contribution to the literature of the period through authorship of *The*

*Strange Death of Warren Harding*, by common consent a fitting companion to such contemporary volumes as *Revelry* and *The President's Daughter*.

The third major betrayal of President Harding was by Colonel Charles R. Forbes, whom he appointed director of the Veterans' Bureau. Charges of fraud and corruption in purchasing sites for veterans' hospitals and the fraudulent sale of government supplies were investigated by a Senate committee. Incompetence, waste and dishonesty were proved in the criminal proceedings which followed. Claims had been delayed; the department was honey-combed with politics and favoritism; construction of urgently needed hospitals was delayed; improper sale of supplies at 20 cents on the dollar was made, and waste was rampant. It was shown that certain officials in the bureau had "flouted the sacred trust that had been reposed in them, and their treatment of disabled soldiers and sailors was harsh, unfair and often brutal." To the kind heart of a Harding and to a sympathetic, solicitous public this betrayal was in many respects the most grievous of all. Eventually, Forbes and John W. Thompson were convicted of conspiracy to defraud the government and sentenced to two years in Leavenworth Penitentiary and fined \$10,000 apiece.

Thomas W. Miller, Alien Property Custodian, was convicted of conspiracy, fined \$5,000 and sentenced to eighteen months in the penitentiary.

This list of betrayers of President Harding is not complete; it represents merely the major ones, as the court records show. There were others of less importance. Suspensions, resignations and dismissals of various minor officials marked the cleaning-up process. Once the light was let in many minor evildoers and petty politicians scuttled to the safety of private life.

What does the other side of the picture show? On the whole, a record of sound administration and construc-

tive achievement above the average. As competent and fair a critic as ex-Senator George Wharton Pepper considers that at no time in the history of Congress was such an amount and variety of fundamental, constructive legislation enacted as in the Harding and Coolidge administrations. The Harding Administration covered less than two and a half years. It was marked by these outstanding achievements:

*1. An International Conference on the Limitation of Naval Armaments.*—President Harding called the conference in the Autumn of 1921. Secretary Hughes was the chief United States delegate and chairman. The United States, Great Britain, Japan, France, Italy, Holland, Belgium and Portugal participated. The conference eventuated in a substantial naval holiday, and history has recognized it as a stroke of diplomacy of permanent value. Seven treaties were negotiated relating to limitation of naval armaments, the fortifications of islands in the Pacific, and relations between China and the powers.

*2. Foreign Policy.*—President Harding made plain in his first message that the United States would not enter the League of Nations. In rejecting the League covenant, however, he said: "We make no surrender of our hope and aim for an association to promote peace, in which we would most heartily join." The President advocated a declaration of peace with Germany by resolution and the immediate negotiation of a treaty. Congress agreed upon a joint peace resolution which he signed. A treaty with Germany also was signed, embodying the President's plan of including most of the stipulations of the Versailles Treaty, but repudiating adherence to any clause referring to the League of Nations. This treaty and similar pacts with Austria and Hungary were ratified by the Senate. In spite of his attitude toward the League and in the face of apparently irreconcilable differences of opinion, the President

courageously advocated this country's entrance into the World Court.

*3. A National Budget System.*—President Harding advocated the adoption of a national budget system. Congress passed and the President signed a budget bill establishing a budget bureau in the Treasury Department. The budgetary system has become an accepted part of the governmental structure and is considered to rank with the Federal Reserve act in importance.

*4. Refunding the National Debt.*—The Harding Administration began the repayment and refunding of the national debt growing out of the World War, thus spreading the burden over an equitable period and relieving current taxpayers of undue interest charges. Refunding and refinancing principle and reducing interest rates proceeded as obligations matured. Eventually by the end of the Harding and Coolidge Administrations \$11,000,-000,000 of the public debt had been paid or refunded, and the annual interest charges reduced by \$326,000,-000. From 1921 to 1923 the public debt was reduced about \$1,500,000,000.

*5. Tariff Policy.*—President Harding approved an emergency tariff act authorizing the Executive to adjust rates on the advice of a scientific tariff commission. Such flexibility is still a major principle in the country's tariff policy and administration. The emergency tariff bill, passed as a temporary expedient, was a prelude to a general revision.

*6. Retrenchment and Economy.*—The President successfully advocated a prompt and thorough revision of taxation. He insisted on the repeal of excess profits taxes and reduction of transportation and income taxes. A new internal revenue act afforded relief from taxation. The credit situation was relieved by reviving the War Finance Corporation, which authorized the use of \$1,000,000,000 to finance marketing and exportation of farm products. Surplus war materials and treasury assets were applied to

the payment of expenses and the reduction of governmental debts. Nearly 100,000 employes, most of whom had been added to the public service in war times, were dismissed. The President resisted political pressure against his retrenchment policy by vetoing a proposal that war veterans should receive a cash bonus.

There was a striking reduction in public expenditures during the Harding administration as compared with the Wilson administration. The expenditures for the fiscal year 1919, that in which the Armistice was signed, covering the ordinary expenses of government and excluding public debt retirements, were \$18,514,879,955. The Wilson administration ended on March 3, 1921. The fiscal year of the government closes on June 30. The expenditures for the fiscal year 1920 were \$6,403,343,841; 1921 (President Harding came into office on March 4, 1921), \$5,115,927,689; 1922, \$3,372,607,899; 1923 (President Harding died on Aug. 2, 1923), \$3,294,627,529.

*7. Reorganization of Government Departments.*—An act was passed consolidating the departments and bureaus dealing with veterans, and the structure of administrative government generally was simplified. The President opposed enlargement of the powers of the executive and promoted an unusual degree of cooperation between the legislative and executive branches of the government.

*8. Labor Troubles and Unemployment.*—Delicate problems connected with the coal strike situation were solved and a threatened railroad strike of national proportions was prevented. Differences between coal operators and miners were composed through the good offices of Presidential leadership without disregarding the responsibilities or impairing the powers of the States. Secretary of Commerce Hoover dealt with problems of unemployment. The Federal Coal Commission was created.

*9. Care of Veterans.*—The Veterans' Bureau was created. Appropriations

of \$38,000,000 were made to build hospitals for sick and disabled veterans. Rehabilitation of veterans and care of their dependents was a problem upon which the President brought to bear not only his natural sympathies, but real qualities of statesmanship. He called a special session of Congress, and the original act and subsequent amendments created systems of hospitalization and insurance which commanded the admiration of the world. It was the more regrettable, therefore, that corruption laid its hand on the Veterans' Bureau.

President Harding met the challenge of restoring government to a peace-time basis with vigor and with sympathetic insight into the human and political problems which the dislocations of war had left upon the national doorstep.

Fair and impartial examination of the record establishes Warren Harding as a man of ability, principle, honesty and devotion to the public service. His administration was marked by substantial constructive achievements. Its defects and delinquencies arose chiefly from the President's overtrustfulness of personal and political associates. He did not connive at corruption, but was easygoing and did not adequately supervise the work of subordinates. He was transparently sincere and too ready to be friendly with everybody who wished to be friendly.

It is not an excuse for Harding, but it is a pertinent historical fact, that other Presidents and officials have appointed men in high places who proved recreant to their trust. Is there an infallible basis for one man's trust of another? Even men of proved ability and of established character often have broken under the strain of temptation in public office and have become corrupt. The appointive power of the Chief Executive is always subject to errors of honest judgment. Vagaries of the President's personal conduct and recreations apart from his official life (even were proof more reliable)

should not stand in the way of a just appraisal of Harding, the President. About the limitations and defects of his personal life much of the evidence is indirect, hearsay and untrustworthy. That Harding was fond of company, cards and other pleasures is well known. He undoubtedly erred in discretion in thinking that he could at times drop the rôle of President momentarily and indulge his private tastes, as he had done as a private citizen. But in the Presidential office he grew in stature, dignity, idealism, spirituality and in devotion to the common welfare. The deeply religious side of his character was disclosed in many of his public addresses.

There is nothing to substantiate the scandalous gossip that President Harding's death was not due to natural causes, and there is sound proof that he did die of natural causes. But these causes certainly included, along with bodily disease, the weakening of his strong constitution by overwork and the sapping of his vital forces by personal anxieties and the chagrin and disillusionment of his betrayal by trusted friends. President Hoover, in his speech dedicating the Harding tomb, referred to his trip across the

continent and to Alaska with President Harding, and said:

"Those who were his companions on that journey realized full well that he overstrained even his robust strength in the gigantic task which confronted him during the previous two years. And we came also to know that here was a man whose soul was being seared by a great disillusionment. We saw him gradually weaken, not only from physical exhaustion but from mental anxiety. Warren Harding had a dim realization that he had been betrayed by a few of the men whom he had trusted, by men whom he had believed were his devoted friends. It was later proved in the courts of the land and these men had betrayed not alone the friendship and trust of their stanch and loyal friend, but they had betrayed their country. That was the tragedy of the life of Warren Harding. \* \* \* But these acts never touched the character of Warren Harding. He gave his life in worthy accomplishment for his country."

There is no valid evidence to the contrary in his official record as the twenty-ninth President of the United States.

# Bethlen's Ten Years as Hungarian Premier

By FREDERIC A. OGG

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WHEN, on Aug. 19, Count Stephen Bethlen handed the Hungarian Regent, Admiral Horthy, his resignation as Prime Minister, a figure of commanding proportions disappeared, at least for the time being, from European official circles. For weeks the Bethlen Cabinet had been under a sharp fire of criticism, and it was supposed that the Ministry's resignation was designed merely to clear the way for the formation of a new Bethlen government. But though invited by the Regent to continue at his post, the Premier persisted in his purpose to retire, and on Aug. 24 a new Cabinet took office under the leadership of Count Julius Karolyi, former Foreign Minister and cousin of the Count Michael Karolyi (now exiled) who headed the abortive Hungarian Republic of 1919. Through nearly all the post-war period—ten years and four months, to be exact—Count Bethlen had uninterruptedly guided the destinies of his country. No other European Prime Minister had been in office so long.

Premier Bethlen's decision was not forced by parliamentary defeat or by inability of his government to make headway, and both he and his friends attributed it to nothing more serious than impaired health and a desire for rest after long years of arduous labor. Nevertheless, it came at a tense moment in the country's political history,

and unquestionably was associated with a diplomatic reorientation that may have important consequences for Central Europe. Under the Bethlen leadership, Hungary's wagon was hitched to the Italian star, and six months ago the country seemed destined to an important position in the powerful revisionist bloc headed by Italy and including Germany. Confident of the profit to come from this association, the Budapest Government haughtily broke off commercial relations with Czechoslovakia, in expectation of a customs alliance with Austria, which would be extended to Germany.

Then the situation began to break differently. The Austro-German customs union plan was announced, raising the spectre of a Pan-Germany on the Hungarian frontier. A German financial crisis startled the world and showed that the foreign loan which Hungary now found herself obliged to obtain without delay could not be secured from the harrassed republic on the north. Meanwhile a French financial offensive was launched, motivated by intent to take advantage of Budapest's necessity to compel a reorientation of Hungarian policy in France's direction, if not actually to draw Hungary, as so many other Central European States have been drawn, into the French orbit. The upshot was a series of negotiations leading not only to a commercial treaty in which France

agreed to accord preferential treatment to Hungarian wheat, but also to a foreign loan amounting to \$25,000,000, of which a third was underwritten in Paris.

Count Bethlen remained at the helm until these arrangements were completed, and whatever benefits accrue must be credited to his government. But he had no liking for them, and once they were assured he lost no time in turning over the reins. Apparently he was unwilling to have further part in carrying out a policy so completely at variance with his own plans, however inevitable the adoption of that policy had become. The conclusion of the loan and the Premier's resignation marked a fresh triumph for French hegemony in Central and Eastern Europe.

Whatever significance may eventually be attached to it, Count Bethlen's retirement invites a backward glance at the ten years covered by his Premiership. The period starts with April, 1921; and few men have assumed power in circumstances as baffling as were those at that date existing in the ancient land of the Magyars. In the first place, the country had lately been swept by revolution and counter-revolution and was in a condition bordering on chaos and despair. Proclaimed a republic in November, 1918, it had witnessed the failure of the Karolyi Provisional Government, followed by the Communist régime of the notorious Bela Kun, which in turn gave way to a Social Democratic government, with the consequence that within a period of about six months the harassed land experienced the excesses of both a "Red" and a "White" terror. Admiral Horthy became Regent in 1920; and in April of the following year, shortly after the failure of the first of two attempts by Karl of Habsburg to reinstate himself as King of Hungary, Count Bethlen succeeded Count Paul Teleki as Premier.

In the meantime the treaty of Trianon, signed on June 4, 1920, had

mutilated the country beyond recognition. A land of 125,600 square miles was reduced to one of only 35,875; of 20,900,000 people only some 7,500,000 were left; 3,300,000 Magyars (one-third of their total number) were placed under foreign rule; economic resources—arable land, minerals, forests—were cut to insignificant fractions of the former figures. It mattered not that among the defeated States Hungary had been the one least interested in the war, or that her Prime Minister had registered a vigorous protest against it in 1914. No country was made to pay a larger penalty; and in none was engendered greater bitterness toward the makers of the new European map.

It was at the head of the government of a mangled State such as this, with the victors in the late war ready at any moment to occupy the country on the ground that monarchist intrigues were endangering the whole peace settlement, that Count Bethlen found himself in 1921. That 1931 should have discovered him still at his post is among the wonders of modern politics, though in no sense a mere bit of chance, since Bethlen peculiarly fitted both his position and his times. Scion of an old Transylvanian family, he was one of those who, when their native land was transferred to Rumania, refused to give up their nationality. Forsaking his large estate, he migrated to Budapest, where, with twenty-five years of political experience behind him, he quickly became a leading figure. He it was who organized the counter-revolution during the period of communism. Achieving the Premiership, he became the supreme political tactician of post-war Europe.

It has been customary to consider the Bethlen régime as belonging in the lengthy list of present-day dictatorships; and there is no denying that the Hungarian Premier built up an opposition-proof system of domination under which his power was scarcely less than that of Stalin or

Mussolini. The once-influential Regent was pushed into the background; Parliament, though never lacking noisy Opposition groups, was induced or compelled to follow orders; elections were controlled, and the administrative service was organized and trained to be blindly submissive. There were, however, always limits to the Premier's autocracy. The country's delicate international position imposed restraints. Its chronic financial necessities required constant regard for the opinion of the world. And the voices of criticism were far too numerous to be stilled.

In such circumstances there was an inevitable tendency to opportunism. Indeed, one of the complaints most frequently heard was that Bethlen had no settled and consistent policies—that in even such a basically important matter as the "King Question" one could not say precisely what his policy was. In one crisis after another, such as those precipitated by the famous franc forgery affair of 1925 and the arms smuggling affair of 1928, the tactics of the government was always to let things drift until excitement had died down and then issue somewhat perfunctory explanations, or, if need be, apologies. Accustomed to keep his own counsel, Bethlen had no really intimate friends. His method was rather to attack problems single-handedly, work upon them silently, watch the tide of affairs for the favorable moment to act, and not hesitate to abandon action altogether if inaction seemed the more discreet procedure.

Speaking broadly, Hungary's position during the Bethlen decade was that of a nation defeated and depressed, and waiting for something to happen. And this is still its situation. Most of the country's major problems, notably those connected with the restoration of kingship and the recovery of lands lost as a result of the war, remain unsolved.

This does not mean, however, that the ten years terminating in August,

1931, are a blank, or that the Bethlen régime has no constructive work to its credit. In 1922 Hungary sought and obtained admission to the League of Nations. In 1926 a new second chamber was organized to take the place of the ancient Chamber of Magnates, which had not met since 1918. After long wavering, reactionary laws relating to corporal punishment and to attendance of public schools by Jews were repealed, and anti-Semitism was to some extent curbed. Social legislation, in which the country had been decidedly backward, was carried forward by remodeling the workmen's insurance system and introducing old age pensions for all workmen and employees. In 1927 arrangements were effected with Italy which made Fiume the principal trade outlet for a land-locked State. In 1930 a long-standing and bitter dispute with Rumania over the rights and interests of Hungarian landholders in those parts of Rumania which were formerly Hungarian territory was brought to a settlement on lines entirely favorable to the Hungarian "optants." Most important of all, with the aid of the League of Nations, in 1923-24, the country was pulled back from the brink of financial disaster. Although there have been plenty of fiscal troubles since, the currency was stabilized, the budget balanced, the credit situation ameliorated and a general atmosphere of trust and security created. In 1926 the nation was able to take its place in the growing list of those which had returned to the gold basis.

For the most part, however, the decade was, as has been stated, a period of suspense—of discussion, agitation and indecision. To begin with, there was the problem of liberalizing the country's system of government. No one would claim that Hungary today has a political order that is truly democratic. The institutions and forms of democracy do, indeed, exist. There is a two-chambered Parliament; the 245 members of the lower house are elected directly by the people, and

it is constitutionally possible for them to enact legislation without the assent of the more aristocratic upper house; the Ministers are ostensibly responsible to this popular chamber. On the other hand, the parliamentary suffrage is confined to men more than twenty-four years of age who have satisfactorily completed an elementary school course, together with limited groups of women beyond the age of thirty. In cities of 50,000 and over there is no secret ballot. Electoral proceedings are controlled from Budapest in such fashion as to yield unfailing government majorities. Political parties are either docile groups of government supporters or small and hopeless opposition factions, in neither case fitted to contribute much to the growth of a stable and democratic parliamentary system. Originally the backbone of the Bethlen régime, the peasants have been crowded out of the picture by the aristocrats and landed gentry, who in later years really ruled through Bethlen with the aid of a supine Parliament.

The desperate nature of Hungary's internal situation and the delicacy of her international position undoubtedly put the nation in a position where something approaching a dictatorship was inevitable; and no one would argue that the country is even yet entirely prepared for democracy in the fullest sense of the term. The aristocratic, reactionary and irresponsible character of the government piloted by Count Bethlen through the past decade has, however, resulted in leaving the whole problem of democratization to be solved by later generations.

Another question which the Bethlen régime constantly confronted but managed to evade was that of the restoration of kingship. Other States created from the former Habsburg dominion, such as Austria and Czechoslovakia, became republics. But despite allied prohibitions against the return of the Habsburgs, Hungary remains constitutionally a monarchy

—with the throne vacant; that is, a kingdom without a king. The title borne by Admiral Horthy as official head of the State, namely, "Regent," is meant to suggest that he is serving merely during an interregnum. Almost the first dilemma which confronted Count Bethlen when he became Premier was created by a second attempt of former Emperor Karl to regain the Hungarian throne. The new Premier decided in a moment to offer resistance, thereby earning valuable support, but also the dislike of the Legitimists, some of whom still call him "the man who fired on his King." The disappointed monarch died in exile, and the inheritance, such as it was, fell to his son Otto, whose claims, especially since he attained his majority in 1928, have been assiduously cultivated by his mother, the former Empress Zita.

Throughout the Bethlen decade monarchist agitation in Hungary, in spite of the treaty commitments, kept neighboring States on tenterhooks. The situation was saved, however, by the fact that, though all the principal parties were on record for a monarchical restoration, they were not agreed on a candidate for the throne. The policy of the Bethlen Government with reference to the matter was consistently one of delay. When the Legitimists in 1928 wanted to proceed at once to the installation of Prince Otto, the Premier let it be known that he would oppose such action to the bitter end. In the following year he poured more cold water on the monarchist schemes by declaring that "the Hungarian people are convinced that the rule of the elected Regent, Admiral Horthy, is best and will not change as long as he lives." The latter pronouncement stirred bitter comment among the Legitimists. But the Premier could not be shaken from his view that, whatever the future might hold in store, the time was not ripe for action.

The pronouncement of 1929 was bracketed with another to the effect

that Hungary would "never rest until her lost territories were restored"; and from first to last "irredentism" furnished the keynote of the Bethlen régime. His position was hardly consolidated in 1921 before the new Premier turned his attention to the cordon of bayonets formed by the Little Entente—Rumania, Czechoslovakia and Yugoslavia—and to the problem of treaty revision; and to this aspect of the national situation he steadily gave more thought than to any other, save perhaps finance. There are approximately 1,550,000 Magyars in Rumania, 955,000 in Czechoslovakia and 560,000 in Yugoslavia. Proud of their age-long domination of the Slav and Rumanian peoples surrounding them, the Hungarians of today totally refuse to accept a diplomatic settlement which brought that rulership to an end, and in so doing consigned a third of their kinsmen to the control of foreign and more or less hostile governments. The Trianon treaty is for them no *fait accompli*, but only an unjust and iniquitous ukase by which an honored country, forced to its knees by defeat in a war for which it was not responsible, was despoiled for the benefit of avaricious neighbors—an international outrage to be classed with the eighteenth century partitions of Poland.

Desire to regain her lost possessions runs like a red thread through Hungary's entire post-war history; and on this matter, if not on all others, the attitude and policy of the Bethlen Government were at all times in line with the feeling of the nation as a whole. When, early in 1927, the Premier journeyed to Rome and came back bearing a treaty of friendship, conciliation and arbitration—the first treaty concluded by Hungary with a former enemy State in which the Magyar State appeared, for diplomatic purposes, as the entire equal of the co-signatory—there was jubilation over what appeared the first concrete step toward a new orientation favor-

able to revision. And hope was raised still higher in the following year when, after Lord Rothermere had launched a campaign for Hungarian territorial rehabilitation, Premier Mussolini declared himself prepared to see the country's frontiers rectified. Nothing tangible resulted, however, and in the end Mussolini's pronouncement served merely to confirm the members of the Little Entente in their suspicion and distrust of Budapest.

With revision of the Trianon treaty as its main objective, the Bethlen Government steadfastly shaped its foreign policies with a view to clearing the way. The supreme obstacle was, and still is, the determination of the Little Entente—a triangular defensive alliance called into being for the express purpose of putting up a solid front against Hungary—to countenance no territorial or other changes that might open the way to an overturn of the status quo in Central Europe. Under economic pressure the Bethlen Government accepted moderately friendly relations with Rumania and Jugoslavia; and it is understood that one of the conditions imposed by France when underwriting a share of the recent loan was that more amicable relations be established by Budapest with Czechoslovakia. Between revisionist Hungary and her northern, eastern and southern neighbors there is, however, a basic incompatibility which Premier Bethlen never sought to cover up, and which the Ministers to whom he has just surrendered power must equally accept as one of the hard facts in their country's situation.

The wiry little dean of European Prime Ministers must have stepped out of the political picture with mingled feelings of gratification and disappointment. That he will remain a factor in its politics is taken for granted by all who know him; indeed, his enemies—and he has plenty of them—may find that he is most dangerous when freedom from public tasks gives him leisure to perfect plans.

# College Education in England And America

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By ROBERT McN. McELROY

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IN educational matters, England and America are slowly approaching a common point, by the simple process of moving in opposite directions. That common point is the point at which both nations shall train for leadership the best minds, carefully selected for capacity, and shall train also the less gifted minds for the no less important tasks of efficient, contented and self-respecting subordination. Any sound system of education, in whatever nation, must provide both for the training of leaders and for the training of those only fitted to be followers, but until recent tendencies began to emerge, England concentrated upon the first to the neglect of the second, while America neglected the first and fixed almost her whole attention upon the second. The central fact of recent English and American educational history is the fact that each nation has discovered its error and is seeking to correct it.

England is now rapidly moving toward effective universal school training, not alone in primary, but in secondary grades as well. And the universities are rapidly opening their doors to the product of the ever-increasing secondary schools, instead of confining their entrants almost exclusively to graduates of the old "public schools," (such as Eton and Harrow, which correspond to American private preparatory schools).

In America, on the other hand, the

most marked tendency is to devise methods for selecting, at each stage of education, the minds best fitted to benefit by further, more advanced study, in an attempt to develop more effective selection for higher education.

England's too exclusive emphasis upon the training of leaders was, of course, the natural outcome of her ancient and still dominant social system. It led inevitably to the conclusion, which Washington so often expressed with reference to military leadership, that the best leaders almost inevitably come from what is called "the ruling class." Thus, England's earliest educational development, indeed, almost her only advanced educational development until 1870, was the highly exclusive and class-conscious "public schools" and universities.

America's too exclusive concentration upon miscellaneous mass training was doubtless the result of a theory of human equality which early took root in the Colonies and found an unfortunately ambiguous expression in the Declaration of Independence. But nothing is more certain than the fact that when Thomas Jefferson used the phrase, borrowed from John Locke, "all men are created equal," he had no intention of giving voice to the idea that all men are born with equal capacity for thought, equal gifts for leadership, equal potentiality of personality, equal ability to profit by the

pursuit of higher learning. In the Virginia Bill of Rights, which he wrote some weeks before he drafted the Declaration of Independence, Jefferson used the more concise and definite sentence, "all men are by nature equally free." There is here no ground for the idea of equality of natural endowment, an idea which caused generations of Americans to consider it undemocratic, un-Jeffersonian, to question the natural right of any individual to remain an educational charge upon the public for as many years as he pleased.

Indeed the carefully expounded educational philosophy of Jefferson is the very antithesis of this. Early in life he set himself the task of devising a plan of public education for his native State of Virginia, a brief summary of which appears in his *Notes on the State of Virginia*. The central feature of this plan is careful selection of advanced students upon the bases of natural gifts and their separate training as leaders, or, to quote his own words, the "culling from every condition of our people the natural aristocracy of talents and virtue and \* \* \* preparing it by education, at public expense, for the care of the public concerns. \* \* \* We hope to avail the State of these talents which nature has sown as liberally among the poor as the rich, but which perish without use if not sought for and cultivated."

In spite of Jefferson's carefully elaborated theory of democratic education, America, in the name of the equality of men, has allowed her higher institutions of learning, her secondary schools, colleges and universities alike, to be clogged with a mass of reluctant, if not inferior minds, to the detriment of the best and with comparatively little real advantage to the worst material there congregated. President Nicholas Murray Butler of Columbia University was recently reported as stating that 78 per cent of the college students of Columbia—undergraduates—remain in Columbia

University or go to some other university for graduate and professional study. But, within twelve months of this surprising statement, Dr. Samuel S. Drury, Rector of St. Paul's School, Concord, N. H., confessed that "not over 75 per cent of each graduating class here, for example, can show either the intellectual fiber or the vocational urge to justify higher education."

Most American educators are now alive to the fact that 919,381 enrolled college and university students, the product in too many cases of chance, fashion or fancy, are by no means the triumph of education which they once thought them. Instead, they are now seeking a way back to Jeffersonian democracy in education, a method of unscrambling the egg, a system which shall restore to higher education its democratic duty of confining its ministrations to minds willing and able to profit by care and direction.

Of all recent tendencies in American education, this is probably the most wholesome, for what America most needs is a leadership trained for its vast responsibilities. For over a century and a half America proceeded upon the theory that if you open all grades of education to all kinds of minds, and leave them open and without cost to the individual, the natural leaders will automatically emerge. But they have not emerged. Sound, sane, informed leadership has failed the nation more and more as she has extended her system of wide-open training schools.

Americans are compelled to admit that the "educated American," the normal product of free institutions, is still, on the average, ill-informed and, worse still, lacking in those vital intellectual interests which insure continued intellectual effort after the initial course, the university days, are over. By neglecting the principle of selection for fitness, America has failed to give to prospective leadership the training and, equally important, the lasting interest in the world of ideas,

which alone can insure effective leadership. Her soundest educational leaders still have, as had Jefferson, full faith in the doctrine of universal education; but they are beginning to see that there must be two systems—one for the ambitious and intellectually gifted, and another for those upon whom the expense of the higher training would be lost.

But as fast as educators invent new systems designed to make effective selection and special training possible, the multitude rushes in and overwhelms them. The junior high school, designed to enable the best minds to go more rapidly through elementary and secondary schools and thus enter skilled vocations and professions at an earlier age, has grown into an overwhelmed hope. The selective process has not been sufficiently discerning to prevent the institutions from being packed with incompetent or reluctant minds. Statistics show that selection tends to become less ruthless rather than more so, and further retrogression in this respect would be most lamentable.

The older and better tested system of free high schools has been similarly overwhelmed, 50 per cent of all the children of proper high school age entering and spending from one to four years without compulsion of any kind. This is proof of a widespread faith in education, but it is also proof that Jefferson's idea of ruthless selection has not deeply affected its theory or its operation. There are 13,951 high schools of all classes in the United States, of which 632 enroll over 500 pupils, 278 enroll over 1,000 pupils, while the Los Angeles Commercial High School for Boys has 8,440, the Brooklyn Commercial High School for Boys 7,508, the Morris High School of New York 6,733 boys and girls, the Washington Irving High School of New York 5,785 girls. The aggregate high school enrolment grew from 200,000 in 1890 to 3,750,000 in 1928.

The junior college movement has not had time to make clear its full

meaning. In so far as its aims to tempt the able and more ambitious minds from the schools to seek training beyond the obligation limit of 14 years, and to make easier the elimination of minds not fit for the advanced work of the university, it is a wholesome movement. But its danger, too, is the inrush of the multitude which no man can handle, at least upon the high lands of calm thought and effective intellectual training.

The separation of the best minds is being attempted also in colleges and universities by honors schools, comprehensive examinations and exemption from the compulsion of routine. The notable experiments now in train at Harvard and at Yale, anticipated by a generation in the thwarted plans of Woodrow Wilson as President of Princeton, are attempts to recapture the advantages of the old-fashioned American college, without loss of the advantages of the great university; and the magnificent gift by Mr. Edward S. Harkness to Phillips Exeter Academy is designed to make possible an experiment which will enable "students from secondary schools better to meet conditions of college life in the tutorial and house systems which are now being developed in so many of our leading universities."

There is indicated in these experiments a conscious aim to secure results similar to those so long procured by the college system of Oxford and Cambridge. To any one familiar with that system, however, the element of complete autonomy for the smaller unit appears essential. If the Harvard and Yale houses are to be merely administrative units, not completely autonomous units, the results, though they may be important, will certainly not be Oxonian, since the very essence of Oxford is the autonomy of the college; and that autonomy is guarded with a jealous love which the outsider finds it hard to understand or to value at its true worth.

Whatever the faults of America's present system of university educa-

tion, it must be admitted that nowhere—save perhaps in Scotland—is there so general a demand for education, so universal a faith in its sovereign power of ministering to success. America has about 920,000 college and university students. There were about 145 colleges and universities under public control, 520 under private control and 260 junior colleges in the United States in 1926, according to *The World Almanac*. The value of their property alone, in 1927, was estimated at \$2,413,748,981. The spiritual returns from this investment are incalculable, but America is in desperate need of some sane and safe method of separating the sheep—always few in number in intellectual pasture lands—from the multitude of goats.

England has only 44,000 students in her fifteen universities, but few men of judgment could be found in any land ready to say that these figures fairly represent relative results, when we compare leadership in the two countries. When, however, we think of mass education, the effective training of a following, it is evident that England has a need which is also real. The education of the masses is her great problem—in process of solution, but the end is as yet afar off. To understand recent tendencies in English education, we must turn, not to her famous "public schools," or to her ancient universities, but to her newly developed and rapidly improving machinery for popular education at public cost. That machinery is of surprisingly late date and is neither symmetrical nor logical. It is the product of the most important and most striking of England's recent educational trends, the tendency to guarantee by State action that every child shall have the amount and the quality of education to which, by natural gift and disposition, he or she is entitled, a conception as new to England as it is important, and as truly Jeffersonian as the American system is un-Jeffersonian.

At the end of the first quarter of

the nineteenth century, English elementary education depended upon a set of poor primary schools, which catered ineffectively for the "masses," and several hundred endowed grammar schools and private schools, some excellent, some ineffective, which aimed chiefly to prepare the sons of the privileged classes for places in the seven "public schools," the least "public" of human institutions, if we use the word in the American sense. Above the "public school," and equally exclusive, equally class-conscious, stood the two ancient universities, Oxford and Cambridge. These "public schools" and universities were deliberately designed to be the machine for the training of a ruling class. The preparatory schools accepted the rôle of preparing the sons of the wealthy and socially distinguished for entrance to the "public schools" but the "public schools" refused to be looked upon as institutions whose chief duty it was to prepare men for the universities. They gloried in the well-earned reputation of independent institutions of learning, though they stressed development of character rather than scholarship. Both were, however, successfully produced by them.

The finished pupils of these exclusive "public schools," if ambitious for intellectual careers, passed into the two great universities, there to enjoy again the exclusive privilege of employing for their own development the unearned increment of centuries. Or if destined for the public service, naval, military or civil, or for the professions, they might enter upon their future careers directly from the "public school." And, to a surprising degree, they justified their special privileges, developing into ripe scholars, as profound and unpretentious, skillful and public-spirited political leaders, or as honest, efficient civil servants. As a result, England enjoyed and still enjoys, an unsurpassed leadership in scholarship, in politics and in colonial administration, whether judged from

the point of view of intellectual adequacy or personal integrity.

In this one-sided system of education the masses received very little education of any kind, and practically none beyond the meager teaching of the elementary schools. Nevertheless, England's great political reforms have generally been preceded or followed by corresponding educational reforms. The first great political reform bill, the act of 1832, enfranchised 500,000 men of a class not previously entitled to the ballot, thus exhibiting "a symptom as infallible as it is appalling that the day of our greatness and stability is no more, and that the chill and damp of death are already creeping over England's glory," to quote the surprising opinion of the youthful Gladstone. The problem created by this enlargement of the franchise, the first in 400 years, caused Parliament, in 1833, to make its first grant to elementary education, inadequate, of course, but a sign of coming change. In 1840, James Kay established a system of apprenticeship for the teaching profession, which Matthew Arnold christened the "sinews of English primary instruction." In 1844 this system was adopted by the National Society as a means of making its grants more effective.

Such changes, however, only slightly affected the sad state of mass education. Until long after the American Civil War, England continued to lavish her educational attention upon prospective leaders, the sons of the ruling class, and to neglect the equally vital problem of mass education. In 1864 an English commission recommended certain changes, calculated to fit the nation for the great political reform soon to be made in the reform bill of 1867, but nothing really came of it except a salutary change in the financing of schools. In 1867 a royal commission reported that there were more than 573,000 children in private schools, 671,000 in denominational and factory schools with no public

grants, and 917,000 in grant-aided schools, chiefly denominational in character. Parliament, when passing the bill of 1867, which enfranchised 1,000,000 urban workers, failed to provide at once educational reforms calculated to fit the new citizens for their new responsibilities. This political reform was denounced by Thomas Carlyle as the worst thing that had happened "since the Saxon Heptarchy," and the brilliant Walter Bagehot declared it "a great calamity to the whole nation." But neither of these sages appears to have realized that the danger lay not in enfranchising the people, but in denying them the means of education.

By 1870, however, Parliament recognized the connection between progress in popular government and progress in mass education, and in the education act of 1870 provided for popularly elected school boards, under whose sympathetic guidance mass education began its thrilling advance toward equality of educational opportunity. The ancient universities and the "public schools," with the newer universities and university colleges, which had begun to appear in 1827, worked to keep the standards high. They also exerted a tremendous influence in making character building and religion important elements in the new movement. In America, on the other hand, the movement for mass higher education, coming from below, had the opposite influence. It tended to drag down the standards of secondary and university education; and the ever-increasing pressure of the racial complex and religious heterogeneity tended to complicate religious teaching, the essential basis of sound public morality.

After the English education act of 1870, the voluntary schools, denominational in character and charitable in origin, were reorganized, and local boards were created, with power to raise money by taxation and to make provision for popular education in neglected areas. Within six years the

capacity of schools for the masses was doubled, and attendance was insured by an extension of the laws of compulsory attendance.

The political reform bill of 1884 enfranchised 2,000,000 agricultural laborers, a move characterized by Lord Tennyson as a step leading toward the cataract. Money was not at once furnished for a corresponding educational reform, but each school board, conscious of the pressing need of new facilities for mass education, developed its secondary schools, as opportunity offered. Such development was, however, so irregular and haphazard that Lord Bryce's commission of 1894, after studying the results, asked this question: "How can the sporadically created and unorganized secondary education of England be organized into an efficient and satisfactory system?" The answer came in 1899, in the creation of the Board of Education for England and Wales, a government department which has been largely responsible for England's recent rapid progress in the field of mass education. It is headed by a president who sits in Parliament and is a member of the Ministry, with a salary of £2,000 (\$10,000) a year.

In the great education act of 1902, the newly created Board of Education indicated the progressive policy which it was to pursue. Wisely declining to work toward a centralized system of education, it chose rather to employ subsidy and influence as its agency of progress. It brought all elementary schools under the general control of local educational authorities, and in so doing it placed in bodies familiar with local needs and local conditions the power and the means to develop the secondary education for the masses. Some 3,351 independent authorities were reduced to 328, and education was made a function of local rather than of national government. At the time of the passage of the act of 1902 there were 85,550 pupils in grant-aided secondary schools

in England and Wales. Within sixteen years, by 1918, there were 269,887.

Regulations under the education act of 1902 stipulated that, before a secondary school could receive the full government grant, it must provide that 25 per cent of its places should be free to scholars selected for fitness from elementary schools. These free-place students, the selected minds from grant-aided institutions, at once demonstrated the fact that superior minds come not from one class alone, or chiefly, but that mass education can bring them up from the bottom, in numbers quite commensurate with the older system of class domination in leadership. The free-place system soon developed into a system of virtual scholarships, which does not close the road of educational advancement to any one, but which relieves the most worthy minds of the burden of paying for their advanced opportunities. As rapidly as its success has been demonstrated, its numbers have been extended. In 1908 there were only 47,200 free-place students in all the elementary schools, whereas by 1925 there were 134,177, and the rate of increase continues to be rapid. The achievements of free-place students as compared with fee-paying students partly account for this increase. According to the statistics recently furnished by an ex-superintendent of education, "only 19.8 per cent of the fee-paying pupils obtained the school certificate before leaving [in 1926-7], while of the free-place pupils, 48.1 per cent received it." Furthermore, the free-place students in the elementary school soon greatly increased the demand for university education. In 1908 only 1,056 entered universities, but in 1926 there were over 3,000. Between 1922 and 1927, 16,565 free-place students qualified for entrance to the university, and the newer English universities are the response to this most striking of recent tendencies in the field of higher education.

When the educational reform of

1833 passed Parliament, University College, London, founded in 1827, King's College, founded in 1828, and Durham University, founded in 1832, were practically the only places then available for the children of the masses, for Oxford and Cambridge offered hospitality to few of them. In 1836 University and King's were joined to form the University of London, whose expansion has been astonishing. In 1851 Owen's College, Manchester, was added as a sort of intellectual refuge for the poor and those unable to take the religious tests required at Oxford and Cambridge.

For the time being these measurably met the new demand. It was almost thirty years before the movement toward university building began again; but then, with mass education well launched in England, it began upon a large scale—the University of Wales in 1893, Birmingham in 1900, Liverpool in 1903, Leeds, 1904; Sheffield, 1905; Queen's University of Belfast, 1909; the National University of North Ireland, 1908; Bristol and the University College of Dublin in 1909 and Reading in 1926. As woman was created from man's extra rib, so endowed schools for girls in England were started in 1869 "out of the surplus funds of the boys' schools." By the end of the century there were 130 endowed schools for girls, chiefly day schools. In 1902 the education act took the first step for State aid and encouragement for girls' public boarding schools. In that year the list of the Board of Education contained ninety-nine schools for girls and 184 which were co-educational. By 1925 there were 403, with an added 361 which were co-educational. Women's colleges began with Queen's College in 1847, Bedford and Girton in 1869 and Newnham in 1875. Somerville and Lady Margaret, Oxford, opened in 1879. The University of Wales, open to women and men on equal terms, was established in 1893; London University offered degrees to women in

1878, Victoria University in 1880 and after the World War, Oxford. Cambridge still refuses her degrees to women.

After the World War the movement toward university education, with the carefully guarded aid of the central government, took another upward curve. Mr. H. A. L. Fisher was placed in charge of the Board of Education as its president, and effective machinery long needed began to develop, raising at once the quality of education in the mounting multitude of grant-aided schools and the dignity and emoluments of teachers. In 1918 the Fisher act encouraged local authorities to enter upon ambitious schemes on the basis of ten-year periods and altered the outlook for the profession of school teachers by increasing salaries, retiring allowances and facilities for professional training. The last vestiges of school fees were abolished, half-time forbidden and the compass set in the direction of realizing, for the first time in history, the indispensable prerequisite for democratic government, the education of every child according to his abilities and his needs or ambitions. It prepared the nation, educationally, for the fourth great political reform measure, the act of 1918, which extended the franchise to 13,000,000 women. Without it the prophets of evil who saw in the coming of the "flapper vote" unspeakable evils might have proved less ridiculous than they appear today.

Unfortunately for England, this courageous program was rendered partly unrealizable, for the time at least, by the financial crisis which still holds the nation in its grasp. The act itself, however, remains upon the statute books, and many of its most important provisions are in operation. The provision that 60 per cent of the salaries of teachers shall be paid by the Central Board, for example, still enables local boards to keep the standard of teachers high; while the provision that the Central Board may reduce the promised 50 per cent of

total local expenses in the case of schools which allow overcrowding of classes, unsanitary conditions, or other causes of inefficiency, helps to maintain a high standard of school administration. The advance of school age which Mr. Fisher contemplated has not yet been realized, but night schools, vocational schools and other special classes for children of over 14 years of age, help to compensate for this failure. The refusal of numerous exemptions formerly allowed makes compulsory education up to the age of 14 a reality. Furthermore, the grant of 50 per cent of total local expenses for medical services insures to the children of the poor an efficient medical attendance in all schools. The Fisher act remains as "the charter of free elementary education."

Despite this progress, surprisingly rapid since 1902 and surprisingly sane, the chasm which separated the educated privileged classes from the uneducated masses has not yet been fully bridged. Much remains to be done before the selfish old system which reserved education for the privileged classes is finally overthrown, but it is only fair to say that today both the "public schools" and the universities of England, old as well as new, are open to talent, no matter what the accidents of birth. At Oxford it has been recently shown, "out of 1,263 male students who matriculated in the year 1928-29, less than half came from English public schools and no fewer than 223 had begun their education in public elementary schools. Over 45 per cent of Oxford undergraduates today are in receipt of assistance, without which they could not pursue their studies. In the combined English universities it has been estimated that two-thirds of the students have attended public elementary schools, and this proportion is at least as large in London University, the University of Wales and in the four Scottish universities."

The same liberal tendencies are observable, though less marked, in the

case of the ancient "public schools." In a recent statement by the headmaster of Eton this declaration occurs: "The Provost and Fellows have for some years made arrangements by which \* \* \* the entire school fees can be remitted to a scholar. \* \* \* They are anxious that no consideration of means should debar a boy from anything which Eton has to offer to a scholar."

But the "open career to talent," regardless of the accidental circumstances of birth, which Napoleon advocated, will not be a fact in England until an equally wise policy comes to dominate all schools which fit the intellectually gifted for the university.

The keynote of American education is experimentation, too often without patience—that of English education is patience, with a constitutional aversion to experimentation. While highly optimistic, the average American of university training is also highly critical and cherishes the belief that there is something wrong with education as with art, religion, ethics and politics. To him education offers the one sure road to economic prosperity, social soundness and a safe democracy. What he questions is the soundness of the particular formula, not the possibility of achievement through education when the right formula is found. He therefore gives the warmest welcome to every idea labeled "new."

The average Englishman of public school or university training, on the other hand, while highly pessimistic, is but little disposed to question the soundness of the established order into which he was born. The Church, the State, the public school, the university, while not considered perfect, are not generally within the list of things to be blamed for existing imperfections in English society. He complacently places them at the head of the list of things which "have made us what we are"; and does not dream too eagerly of those latent forces which if developed would make us what we might become.

# The New Ethic of Divorce

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By PERCY G. KAMMERER

*Secretary, Divorce Commission of the Protestant Episcopal Church*

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ONE of the most striking social phenomena of our time is the unprecedented increase in the rate of divorce in the United States. Every one is aware of this fact, but, as usual, the attention of the public is focused upon results rather than causes. As we hear about Reno and its divorce colony, about the many causes for divorce in our forty-nine different jurisdictions, the alarmist finds support for the belief that the American home is facing dissolution. To be sure, the most objective observer must find something that will prove to be startling. Divorces in the United States are increasing four times more rapidly than the population. In other words, for every 100,000 in the population in 1867 there were 27 divorces; in 1887, 47; in 1906, 86; in 1916, 113; in 1926, 154. The rate for the various States indicates that whereas South Carolina makes no provision for divorce, the rate in Oregon is twice that of the country as a whole, and in Nevada eight times the national average. These figures, of course, apply to the situation before Nevada's recent effort to liberalize its divorce procedure still further.

The rate of divorce seems to be about equal in the Northern and the Southern States. It is greater in the Central than in the Eastern, and again in the Western than in the Central States. Over a period of sixty years divorces in the North Atlantic group have increased 165 per cent, in the North Central 353 per cent, in the Western 400 per cent, in the South

Atlantic 1,090 per cent, and in the South Central 1,340 per cent. This increase in the Southern States is probably due to the greater frequency of divorce among the Negroes in recent years. These figures point to an astonishingly interesting process which is continuing at an accelerated rate. The United States Bureau of the Census, in its eighth annual report for the year 1929, indicates that for that year there were 1.66 divorces for every 1,000 of the total population, or 16 2-3 divorces for every 100 marriages performed. Stating the matter in another way, there is one divorce for every six marriages.

It is unfortunate that the grounds given in a divorce action indicate but rarely the real motive. Divorces are secured on the grounds that the various States allow, and as each State determines its own causes, generalization is not possible. It must be obvious, however, that the given reasons often cloak the real reason. There is much aversion to securing divorce on the basis of adultery, and unquestionably this cause exists in many cases where a decree is granted for desertion and cruelty. Men and women contemplating divorce are apt to find out the legal ground under which such a dissolution of the family bond is permitted and select that which will cause least notoriety and reflect least upon them. The American courts are definitely opposed to collusion or an agreement between man and wife to assist each other in securing a divorce decree. Of all the divorces granted in

1928, 87 per cent were uncontested. A large percentage of the divorces of this country are actually based on mutual consent.

In the jurisdictions of the United States the preponderant causes for divorce are desertion, cruelty and adultery; 80 per cent of the divorces secured in 1926 were for these causes, while 98 per cent are secured on these three grounds, with the addition of imprisonment, habitual drunkenness and neglect to provide. But we must be careful not to limit the meaning of such a term as "cruelty." This ground covers everything from an attempt to take life to indignities rendering life intolerable.

It is interesting to note that divorces increase, as do marriages, in periods of industrial prosperity, with a corresponding decrease in "bad times." It is also not generally realized that the wife is the plaintiff in two-thirds of all cases. The trend toward more liberal divorce is a woman's movement.

It is frequently said that most divorces increase, as do marriages, in marrying again. An element in public opinion is agitating for more stringent laws because of the belief that there is an innate tendency among many people to change marital partners. Students of the problem, however, do not agree with this point of view. The probability is that one in three remarry, so that divorced persons enter into subsequent marriages at about the same rate as do widowers and widows. There is no evidence to indicate any greater frequency.

We have recently heard less of the demand for Federal divorce laws. It is easy to understand why the agitation for such laws began when we remember the wide divergence in grounds for divorce existing, for instance, in Nevada and in South Carolina. The press has given space to the cases in which there is evidence of migration for the sake of divorce under more liberal conditions. A

study of the facts, however, shows that of all the divorces granted in the United States four-fifths were granted to parties in the State where the marriage took place.

How can this phenomenal increase in divorce during the last sixty years be explained? What has happened to the American people to produce this astonishing situation? Here public opinion is divided. There are those who persist in an ethical standpoint, believing that good people do not get divorced and that bad people do. To such the figures already set forth are tragic evidences of the waning moral consciousness of our people. But how can it be maintained that what have been looked upon as social virtues for ages are now prevalent to only one-third the extent of fifty years ago? Do human motives change in so short a time? Is the American nation in truth headed for degeneracy? The spokesmen of certain sections of opinion in modern organized Christianity would make us believe that every divorce followed by a remarriage is a definite breach of Jesus' command.

History does not support such a view. To be sure, the Roman Catholic Church has unalterably registered its opposition to the remarriage of divorced persons under any conditions. Yet it provides for the annulment of marriage in many instances. The Church of England attempts to hold to the rigid point of view. On the other hand, the Greek Orthodox Church allows divorce and remarriage for several causes. The Protestant Episcopal Church in America allows the remarriage of the innocent party in a case of adultery. In consequence, it is fair to assume that there has been no general ban on remarriage after a divorce. Absolute denial of such a possibility is purely Roman tradition; and indeed only the Church of Rome exercises an effective discipline over its people in this matter.

Religious thought, generally speaking, divides itself into the "sacramental" and the "liberal" point of view in

regard to divorce. The former insists that Jesus' pronouncements on this subject have the force of a command. The more liberal group maintains that Jesus did not legislate on this matter, and that in His statements about divorce He was not laying down a fundamental prohibition, but that He was stating an ideal, that of the life-long union of one man and one woman. A study of the historic background of the Gospels shows that the word "divorce" in the modern version gives a false impression. Jesus' utterances were directed against men who "put away" their wives for trivial causes. In no sense was He referring to a well-established court procedure in which both parties were represented. He condemned not what we know as divorce under modern conditions, but the hardness of men's hearts.

Outside the Roman communion there has been a definite tendency toward the more liberal point of view. The Commission on Marriage and Divorce of the Protestant Episcopal Church in America has recently made public a proposed new canon providing for the establishment of ecclesiastical courts to sit in marital cases. After a period of one year has elapsed either party in any case of divorce may apply to one of three courts for permission to remarry, and should consent be given, a clergyman is at liberty to perform the ceremony. A minority report of the commission declines to allow remarriage by a clergyman but states that, should such a person be remarried by civil law, no obstacle to his membership in the Church shall exist. These proposals mark an important advance. Even if neither is accepted, a great deal of discussion must ensue which will have its definite bearing upon the attitude of a conservative communion in the years to come.

In this liberalizing tendency on the part of organized religion we note a somewhat belated recognition that the twentieth century differs from the first. Increased wisdom and experi-

ence throw new light upon the problems which beset us. Men see cause and effect more clearly in the field of criminology and economics. Knowledge of inherited and acquired mental characteristics makes the failure of personal adjustment more apparent and supplies reasons for such failure. In other words, the readiness with which misfortunes in marriage are attributed simply to personal morals is found to be increasingly less justified. With the declining control of the Church over the marital affairs of men and women, comes increasing familiarity with the factors which give modern marriage its complexity.

Students who are free from religious and ethical convictions are far from satisfied with the current conception of the causes of divorce. Biological and economic forces play a larger part in human affairs than is generally realized, and there may be perhaps dark and hidden processes refashioning the institution of modern marriage. If this be true, the increase in divorce may be partly a misdirected effort toward adjustment on the part of men and women facing greater social complexities than any generation has yet known.

One sign of the growth of sympathy and understanding in our present-day civilization is to be found in the changing attitude toward the unmarried mother and her child. The note of individual responsibility, while obvious and ever present, does not receive the emphasis it formerly did. The rate of illegitimacy in a given community, when extraneous factors are isolated and removed, it seems, is dependent upon the ratio of the unmarried males capable of paternity to the unmarried females capable of maternity. And so a higher proportion of females obviously increases the rate of illegitimacy. Thus the determining factors in this field are shown to have their roots in biology and psychology.

Something similar is indicated as an explanation of the rapid increase in the divorce rate. The economic and

social liberation of women, the greater familiarity with the processes of the law, the almost complete removal of industry from the home, the heightening of competitive economic processes, the development of urban communities, bringing with it overcrowding and the loss of the family hearth as a social centre, the wider range of sexual choice, the ability on the part of women to attain self-support, a false sense of social values—all these factors have profoundly affected the modern home and have had a very direct bearing upon the increase of divorce. It is the social and economic revolution of the past fifty years in American life that is mainly responsible. The individual today believes that marriage was made for man and not man for marriage, and that a situation becomes untenable which does not yield him a reasonable degree of emotional satisfaction. To repeat the current phrases of those who approach the problem of divorce from this angle, divorce is not the cause of the breakdown but the result, not a disease but a remedy.

While religious circles are definitely alarmed by the social consequences of greater freedom in divorce, the public at large is unconcerned. Yet there is one aspect that is often left out of consideration, although most important to social welfare. That is the effect of divorce upon the children. The available evidence shows that the children of divorced parents frequently suffer from psychological conflicts, faulty education and unstable habits. The whole problem should, indeed, be viewed in this light. Instead of the emotional adjustment of the parents, society should consider the welfare of the child. Bertrand Russell is the outstanding proponent of the idea that in marriage what matters is not so much the feeling of the parents for each other as their cooperation in rearing children.

There can, indeed, be no sound approach to the divorce problem in specific, concrete terms as long as it is

treated chiefly as a matter of the parents' moods and desires. The family has survived as a social institution because in the main it has proved to be the best way of bringing children to maturity. The interests of the child will probably become more and more the determining factor when divorce looms ahead, and the courts of the future may attach great weight to it in their decisions. Among the divorces granted in 1929 there were known to be minor children in only 37 per cent of the cases. Thus there seems to be a new tendency at work—the feeling of greater responsibility on the part of parents, with the children becoming the chief deterrent to divorce. As to cases where there are no children, the growing belief seems to be that divorce is an individual matter with little bearing on social welfare.

The conditions which have produced the increase in the divorce rate in the United States will continue to operate until marital adjustment is more highly developed. The religious and moral forces which oppose the trend of divorce, common to all civilized countries, will prove ineffective so long as they deal with results instead of causes. Fuller knowledge of divorce statistics tends to make public opinion rather liberal than conservative. Outside the Roman Catholic Church this movement is already evident in organized Christianity. The State may become more conscious of the part that the family plays in the welfare of the growing child, and public opinion may reach the conclusion that divorce should be avoided except for grave cause where children exist. On the other hand, in the case of childless couples, opposition to collusion may give way to divorce by mutual consent. Broadly speaking, social control, both religious and conventional, bids fair to recognize divorce as a failure in personal adjustment and therefore largely an individual matter. The one remaining, inescapable obligation is the responsibility of parents to their children.

# Exiles From Red Russia

By ALEXANDER NAZAROFF

[The writer of this article fled from Russia in 1919, lived for a time in Constantinople, and is now a resident of this country. He is the author of *Tolstoy: The Inconstant Genius*.]

SOME ONE has said that the post-war years have witnessed the birth of a new nation, that of the Russian émigrés. Indeed, the million or more Russians who were flung across the borders of their native land by the explosive force of the revolution, form, as it were, a world of their own. They have repudiated Soviet Russia and have been repudiated by it; Moscow does not regard them as Russian citizens. But most of them have not yet become citizens of any other country. They have been forced to scatter on so-called "League of Nations passports" to China, Yugoslavia, Brazil, India—in fact, all over the world. A Paris newspaper recently published the story of a traveler who had heard in the midst of the African jungle a roaring bass voice cursing in Russian; the voice proved to be that of a Cossack from Wrangel's army who, after the defeat of his chief in 1920, had drifted to the heart of Africa and become leader of a native tribe.

Regardless of where they live or what citizenship they may eventually adopt, the émigrés have largely retained their Russian culture. Where they are settled in the European capitals they command some fifteen newspapers of their own, a half-dozen weekly and monthly magazines, even a few publishing houses for the printing of Russian books. With these, as well as with their various educational

and professional organizations, the expatriated Russians have maintained an intellectual unity, if not a territorial one.

The story of their flight is familiar. Most of them left Russia between 1919 and 1921, in a great exodus of soldiers and civilians, women and children, after the defeat of the remnants of the White armies of Kolchak, Denikin and Wrangel by the Bolsheviks. Renouncing their past life as well as their property, they fled into a world which was different from that they had known and began there the astounding attempt to establish themselves once more.

Turkey, Bulgaria and the Baltic States, because they were nearest, harbored the greater part of the refugees at first. In these poor countries, themselves weakened by the devastation of the war, the émigrés encountered misery and difficulty only too well known. Tattered Czarist officers and former great landlords sold newspapers on the picturesque Galata bridge in Constantinople, sheltering themselves at night in the ruins of fire-swept Stambul. Noblewomen became chambermaids in Helsingfors or waitresses in Belgrade cafés. Thousands, however, could find no employment of any kind. That they did not starve was chiefly due to the charity of the allied governments, the League of Nations and such philanthropic organizations as the American Red Cross and the Near East Relief.

To find a satisfactory and permanent country of abode was the great problem. Accordingly, the years from 1919 to 1926 may be called those of

geographical adjustment. Sometimes with private philanthropic support, more often without it, the exiles spread over the world, through the assistance of the League of Nations and the International Labor Office, to such comparatively prosperous European countries as France and Germany, and, until the new immigration laws stopped their coming, to the United States.

Precise statistics of their present geographical distribution do not exist. By combining the data of the League of Nations, the National Information Bureau in New York and various Russian organizations, however, the following approximate figures are reached:

1. The United States has between 25,000 and 30,000 Russian expatriates, nearly half of them in New York City.

2. The greater proportion of those who fled live in Western Europe—some 400,000 in France, 60,000 in Germany, 8,000 in Belgium and 3,000 in England.

3. A considerable number are to be found in those Slavonic countries allied racially to Russia—Poland, Yugoslavia, Czechoslovakia, Estonia, Latvia and Lithuania—probably about 200,000 in all.

4. Some 70,000 live in Rumania; perhaps 8,000 in Finland. Istanbul, which for a time was a favorite resort of the refugees, now shelters fewer than 1,500; this is because the Turkish Government in 1926, under Soviet pressure, expelled Whites from the city. About 90,000, who escaped through Siberia, now live in Manchuria and Northern China.

What account have these people given of themselves? The question admits of no simple and single answer, for the refugees are from all walks of life, from varied occupations, and each has not met with the success of the other. Without exaggeration it may be said, however, that the Russian émigré population, comprising a great proportion of the educated

and cultured Russia of the old régime, has become a notable factor in the intellectual life of the countries which shelter it.

Such artists as S. Sorin, N. Grigoriev, G. Shukhayev and A. Benois are now among the leading spirits of the Paris school; Stravinsky, Prokofiev and Illiashenko are part of the brilliant galaxy of contemporary French music. Some French students of art go so far as to say that France's artistic life has become during these years distinctly Franco-Russian.

Hundreds of eminent Russian scientists and scholars have been absorbed in the academic life of foreign countries. Well over a hundred of them have become university professors in Prague, Sofia, Belgrade and Paris. There are twelve Russian professors in the United States.

Such talent does not constitute the rank and file of émigrés, for many left Russia without the equipment of the scientist or the financier. Actual information concerning the lot of the average man is of course nearly impossible to obtain. Many of those who came to the United States began as dishwashers or factory hands. Some have since become engineers, architects, bankers, and have succeeded to the American privileges of automobiles and radios. They have become acclimated here; America is one of the few countries where, almost without exception, the émigrés have become naturalized and part of the nation. More than 1,000 of them have graduated from American universities in the last few years. Their academic records have been well above the average, in spite of the fact that most of them had to master English, were no longer young, and had to earn their living while studying. Of those émigrés who have remained in menial occupations the majority are well along in years.

America, however, has always been the immigrant's paradise. Elsewhere the lot of the Russian exile is, as a

rule, not as happy. In Eastern Europe, from Estonia to Yugoslavia, daily struggle against poverty often remains his fate. For instance, there is the case of Mr. R., formerly one of the wealthiest landlords in South Russia. He is a strong, healthy man in his early forties, and if single might have been able to go to France or America. But he is married and has six children, and, having no money, he and his wife have become peddlers. They buy cloth, thread and needles from a wholesale merchant in Belgrade, and, dressed as Serbian peasants, walk from village to village and sell their goods. In order to earn enough to provide food for themselves and their children they leave home at 6 in the morning and their work is over only at nightfall. Yet at night they manage to teach them the elements of language, history and mathematics. Fortunately they have succeeded in obtaining from a private source sufficient funds to send their eldest boy and their eldest girl to the university in Paris.

Hundreds of Russian families similarly situated are to be found in Eastern Europe, although it should be said that over 90 per cent of the able-bodied émigrés there are fully self-supporting. In Yugoslavia the Russians are treated with especial sympathy; they are taken into the government employ, and may be found serving as district attorneys, railroad officials and army officers. But salaries are inadequate here; an émigré usually receives between \$16 and \$25 a month, while the living minimum is \$25. In even poorer countries, such as Estonia, conditions are considerably worse; poverty and varying degrees of undernourishment are so common that many of the exiles have become tubercular.

The large émigré population in France is unfortunately best known to the American through "Russian Paris," with its high-priced restaurants, balalaika orchestras, Cossack door-keepers and real or imaginary

"princess" waitresses. Nothing, however, is less typical of the mass of Parisian Russians. More representative are the modest flats of Passy or of the Latin Quarter, where live the émigré taxi-drivers, mechanics and clerks. Their wives and daughters perhaps work in the dressmaking establishments or as models in department stores. Although this may seem but little better than peddling in Yugoslavia, the Parisian émigré usually earns enough to be self-respecting, and is able to go to a *bistro* or to a theatre. Moreover, in Paris as in New York, he may hope through perseverance and effort to rise above this humdrum routine of "proletarian" life. Indeed, Mrs. S., who began as a modest seamstress, now conducts a highly successful business of her own. Mr. B., a young officer who had been wounded three times in the Civil War, and who arrived in France with nothing but a toothbrush, has become one of the leading figures in the local engineering world.

Transcending national boundaries, however, are certain social problems which affect the body of émigrés wherever they may be. These problems have been faced principally by three organizations actively supported, in so far as possible, by Russian exiles all over the world. The Federation of Russian War Invalids takes care of those 6,000 refugees who were disabled in the war. The Russian Red Cross, a charity of the Czarist days, was taken out of Russia with its administrative machinery during the great exodus, and continues to operate, sometimes in conjunction with the Federation of War Invalids, maintaining hospitals and dispensaries in Yugoslavia, Bulgaria and France. Funds are derived from donations of non-Russians and from those émigrés who are able to contribute. The governments of Yugoslavia, Bulgaria and Czechoslovakia have also generously aided the cause of the sick and wounded. Some sup-

port is gained through annual charity balls in New York, Paris and Berlin. There has never been sufficient money to meet all demands, however, and these lean years of depression have cut even the former slim budget in half. Despite the efforts of the organizations, the sight of wooden beds, without linen, ranged in dingy dormitories, of resigned and ragged invalids, is still common.

The younger generation is cared for by "Zemgor," the Union of Zemstvos and Cities. This organization, also brought from pre-revolutionary Russia, has set up a system of schools and gymnasiums throughout Europe which are recognized as competent and effective. The boys and girls emerging from them may enter the colleges of the country, and in the last few years some 25,000 young exiles have graduated from the leading universities of the continent.

Russian destinies are closely watched. Professor Paul Miliukov, ex-Foreign Minister of the Provisional Government and now president of the Republican-Democratic Union of Russian émigrés, occasionally organizes a public meeting of this organization, at which an address on the situation in Soviet Russia is given. Alexander Kerensky, leader of the Social-Revolutionaries, whose headquarters are in Prague, may preside over a similar gathering. Or else, as might be expected, one political group disputes with another, for there are all shades of opinion among the refugees. The extreme Right Wing is grouped about "Emperor Cyril I" (Grand Duke Cyril Vladimirovich), who holds his court in a certain German city, issues manifestos, appoints "Chamberlains" and "Ministers," and bestows decorations on his "subjects." But such aristocrats are few, as are those who follow other political leaders of old Russia, be they Socialist or Monarchist.

The only political organization (if political it may be called) which still

plays a significant rôle in the life of the émigrés is the Military Russian Union. It was first headed by Grand Duke Nicholas Nicholayevich and by General P. Wrangel. Later General P. Kutepov assumed control, but about a year ago he was mysteriously spirited away—some say by Soviet agents. General E. Miller is now the leader of the Union's 35,000 members, who were formerly officers and soldiers in the Imperial and White armies. The Union is an avowed enemy of the Leninist principle of violence, and although not monarchist insists that the Russian people be allowed to choose by plebiscite the form of government and economic organization they desire.

Do the émigrés engage in active anti-Soviet propaganda? The Soviet press asserts that certain individuals, as well as the emissaries of some of the moderate Socialist groups, often cross the frontier, penetrate deep into Russia and carry on subversive work there. From time to time the execution of captured counter-revolutionaries is reported. But such cases of anti-Soviet propaganda on the part of the émigrés are exceptional.

It is most striking that a deep psychological change has come over the émigré world. In former days it was said that "no sooner do three Russians gather than five political parties are formed and a holy war begins among them." But years of exile have taught the Russians to drop their theorizing, to become practical and realistic. Those American and European journalists who depict the émigrés as pitiful weaklings crying over their lost fortunes and awaiting the day which will see the overthrow of the cursed Bolsheviks are entirely in the wrong. Most émigrés long since have been cured of such moods. Most of them realize that they will probably not return to Russia. They try to live in the present and future, to forget the past. Life is too real to be wasted in fruitless political controversy.

# South Carolina's State Liquor Experiment

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By J. L. SHERARD

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[The history of the dispensary law enacted in South Carolina in 1893 is of interest at the present time in view of the demand by opponents of the Eighteenth Amendment that it be so modified as to permit the several States to legislate as they each deem fit in regard to intoxicating beverages.]

THE Canadian system of liquor control, now being urged as a solution of a vexing problem, is to at least one of our States an old idea in new garb. That State is South Carolina, which, under the leadership of Benjamin R. Tillman, then Governor, and later, until his death, a United States Senator, put into effect a State monopoly of the sale of intoxicants on July 1, 1893.

The sentiment for prohibition had been growing steadily in South Carolina for a long time before Tillman's sensational rise to power in the upheaval of 1890. The lower house of the General Assembly, in 1891, had passed a State-wide prohibition bill, which was held up and defeated by the Senate. The prohibition leaders, feeling that they could achieve a victory by a direct appeal to the people, succeeded in persuading the State Executive Committee of the Democratic party to place a separate box at the polls in the 1892 primary election where the voters could cast a "Yes" or "No" ballot on the direct question of prohibiting the sale of intoxicants. It was nothing more than an unofficial referendum, and its ver-

dict was unenforceable except to the extent that members-elect of the Legislature might choose to respect the popular will. Prohibition won by a substantial majority.

At the next session of the Legislature a prohibition bill was again introduced and promptly passed by the House. It went to the Senate and was blocked in that body by a long and bitter debate. Then, in the closing days of the session, the dispensary bill was brought forward as a substitute without warning to the unsuspecting members. The proposal at once aroused intense opposition. But both houses contained an overwhelming majority of the Governor's supporters, who, in the flush of victory of the agrarian movement, either docilely accepted the proposed law because of its partisan label or, submerging their individual views, obediently fell into line or were whipped into submission by the impetuous and dominating Tillman.

Tillman, though personally an abstainer, was strongly opposed to prohibition and was determined that the popular will, as expressed in the referendum vote, should not prevail. He was also opposed to the saloon. The dispensary system was a compromise of his own making. He had, however, a special motive. He had promised a reduction in taxation, but had been unable to fulfill the promise. In the circumstances the dispensary plan ap-

pealed to him as a new toy does to a child. But it was not original with Tillman. From one of his friends and advisers he had learned of a similar system which had been in effect, with some measure of local success, in the university town of Athens, Ga. The Georgia plan had been copied from the Gothenburg system established in Sweden as early as 1865.

The dispensary law as adopted by South Carolina in 1893, and as amended by subsequent acts, regulated the sale of intoxicants to the smallest detail, and on its face included sufficient restrictions and safeguards to make the system workable and businesslike. The management was in the hands of a State board of control, at first composed of the Governor, the Attorney General and the Comptroller General, but later, through fear of centralizing too much power in the Executive, the board was elected by the Legislature. The actual administrative head was the State Dispensary Commissioner, at first appointed by the Governor and later elected by the State board of control. His primary duty was to purchase all intoxicating liquors for lawful use in the State. It was specified that he should be a man of good personal reputation and business ability, who "shall be believed by the State board of control to be an abstainer from intoxicants" and free from any business connection with whisky houses.

All purchases were made in bulk and shipped into the State to dispensary headquarters in Columbia. Here the liquor was bottled and sealed in original packages containing from one-half pint to five gallons and sent out to the retail dispensaries. Shipments from wholesale distillers out of the State, as well as the shipments from the State dispensary to the local dispensaries, were provided with seals under the signature of the State commissioner. Liquor shipments without seals were subject to confiscation without warrant.

The local dispensary was under a

county board of control composed of three members whose appointment and acts were subject to review and approval by the State board. The retail dispensary, always situated in an incorporated town, could remain open only during the daytime, closing promptly at sundown. It was unlawful for a dispenser to break the seal of a package, to permit it to be broken in the dispensary or to allow a purchaser to drink on the premises. The dispenser was also forbidden to sell to an intoxicated person, to any person of known intemperate habits or to a minor. As all liquors had to be carried out of the dispensary in unbroken packages there was no attraction for loafers such as frequented the old licensed barrooms. All requests for liquors had to be signed in writing by the purchaser, and once a month the dispenser was required to file these applications in the office of the county auditor, where they were open to inspection and could be used, if necessary, for the quarterly accounting of the profits.

The State derived its profit from the bottling and resale of liquors by its central dispensary to the local or retail dispensaries. These profits averaged annually about \$500,000, which was about one-third of the total revenue raised by the State in those days for all purposes. The profits of the local dispensaries were divided equally between the county and the municipality. As the most intense opposition to the system had been expected in the towns, the authors of the act had provided that, if a municipality did not enforce the law, the profits would be withheld and used in paying constables to see that it was enforced.

Bitter opposition to the dispensary law was almost universal in the cities and towns, whose inhabitants had been arrayed against the rural voters under Tillman's leadership. An army of constables was appointed by the Governor and sent throughout the State to enforce the law. These constables, or "spies" as they were called

by the opponents of the system, had the right of search and seizure without warrant when they had information or knowledge of the unlawful sale or possession of alcoholic beverages. They invaded hotels and even private homes, often in an arbitrary and insolent manner.

Within less than a year after the law had gone into effect public resentment flamed up in a riot, in which two prominent citizens and a State constable were killed and several others wounded. So intense was popular feeling that many of the best and most conservative men of the State rushed to the seat of trouble in the old aristocratic town of Darlington and, determined to take the law into their own hands, joined in the chase of the fleeing constables. Faced by this open revolt, Tillman declared martial law and called out the militia, but with the exception of one company, the entire State military organization refused to take up arms against their fellow-citizens. Tillman thereupon revoked the commissions of the officers of the rebellious companies, disarmed them and issued a call to his followers to come to the rescue and save the power and dignity of the State. Hundreds of the "wool hat boys" in the rural districts responded to the call, were provided with arms and sent to the scene of the disturbance. There was, however, no clash between this nondescript rustic army and the rebellious citizens, for the wave of revolt receded almost as quickly as it had risen.

Whether the dispensary system actually decreased the consumption of liquor is doubtful. The year before the law became effective there were 613 licensed saloons in the State, while the number of dispensaries open at one time never exceeded a total of 146. But, to offset the loss through the regular channels, an immense quantity of liquor was unlawfully sold. "Blind tigers," and some that were not so "blind," flourished everywhere. So-called social clubs sprang up in the towns for the real purpose of pro-

viding places where a privately and carefully selected membership could spend convivial hours. Men of good social standing indignantly refused to go with the common herd to a dispensary and there sign an application, which was afterward open to public inspection, or even obtain liquor through a servant or a friend who would be compelled to disclose the name of the person for whose benefit the purchase was made. The clubs were the special object of attack by the Governor and his army of "spies," but they were so well managed that the constables found it difficult to hold them in check.

The State Supreme Court, in the Summer of 1894, declared unconstitutional the provision of the dispensary law which gave to the State a monopoly of the liquor business. At the same time the court did not by its decision repeal the section of the law which prohibited private sales, and so the State for a time had something akin to real prohibition. But Tillman, always resourceful, soon found a way out of the difficulty. He waited quietly for feeling to subside, and at the next session of the Legislature, when the terms of those Supreme Court justices who had held the law unconstitutional expired, caused their defeat and the selection instead of men who had been pledged to support a State dispensary law. A new act similar in all essentials to the old one was promptly passed, and when it was brought before the reorganized court it was declared constitutional. Before Tillman went out of office, at the close of 1894, the State liquor dispensary was once more established.

But it was increasingly difficult to get good men, jealous of their honor and reputation, to accept positions in the State liquor system, for it had become a mighty and corrupt political machine. The dispensary was conceived in an atmosphere of partisan politics and never ceased to be the creature of designing politicians. Within three years after its inception

whisperings of corruption spread over the State, and as early as 1896 direct charges of accepting rebates were openly made. Until the final abolition of the State system in 1907, corruption spread with increasing and destructive power. Rebates were given by agents of whisky houses to the purchasing agents of the State. Men of broken fortune and doubtful reputation, shrewd, resourceful and popular in their way, sought positions on the managing board, got them and became wealthy citizens. Local dispensers, responsible only to the county board of control, who in turn were responsible only to the State board of control, ceased to carry out the strict provisions of the law, no longer exacted the written applications to purchase, and generally did as they pleased, in no danger because they were acting in collusion with the men higher up. The chemical analysis legally required of all liquors purchased by the State was discontinued or falsified. The poor consumer had to pay the graft, which was the difference between the cost of good liquor he thought he was getting and the price of the bad liquor that he actually got.

Tillman himself was never under suspicion of wrongdoing. He was given credit for having made an honest attempt to give the dispensary a fair trial. It was his child. He looked upon it, as he once said, as a "great moral institution," and until its final downfall he supported it and urged the people to maintain it as the best method of regulating the whisky problem. It was after he went out of office that the dispensary system began to exhibit its failings. But many years passed before legal proof of its rottenness could be produced and sustained in court so that it might be outlawed. In the way of its abolition was the fact that most members of the General Assembly, as was the case in every State in those days, were accustomed to drink more or less freely. Those in charge of the State dispensary were shrewd enough to

capitalize this situation by furnishing absolutely free all the liquors and wines that a member could use for himself, his family and his friends—if they were not too numerous and too thirsty. This practice became so offensive that one Senator, bolder and drier than others, forced an investigation, in which it was revealed that of the more than 160 members who composed the two branches of the General Assembly only a bare dozen were not its beneficiaries.

Another obstacle in the way of abolition of the system was the fact that a local whisky shop, once established, could not be voted out. Not until 1904 was a measure put through the Legislature permitting the people of a county to vote on the issue of retaining the legal sale of liquors. Once given this weapon of local self-government, county after county rejected its dispensaries at the first opportunity and so dealt a mortal blow to the system. The dispensary act had been strengthened by the fact that the profits accruing to the State were set aside for the sole benefit of the public schools. But its enemies could not reconcile their consciences to the use of money so derived for the purposes of education.

Finally an investigating committee of the Legislature in 1906 reported that the officials of the dispensary "have become shameless in their abuse of power, insatiable in their greed and perfidious in the discharge of their duties." In 1907 the dispensary was abolished as a State system. High officials were convicted for conspiracy against the State. Individual counties were still permitted to have dispensaries within their bounds, to be operated under local control. But the system as a whole was now virtually dead. Only a few counties, mainly along the coast, continued it, and when in 1915 State-wide prohibition was enacted the last vestige of a thoroughly discredited method of handling the liquor traffic was wiped out.

# Gandhi: The Voice of India

By SYUD HOSSAIN

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HAVING finally decided to participate in the London round-table conference on India, Mahatma Gandhi sailed from Bombay on Aug. 29 amid the cries of an enormous crowd of well-wishers, some of whom prostrated themselves before him. This was but a small measure of the homage paid to one of the most powerful, picturesque and influential personalities of our day, a leader who has achieved a personal following greater than that of any living man, or indeed than that of any man who has ever lived since the beginning of history. Gandhi's followers, it has been said, are "counted by tens of millions." There is abundant corroborative testimony in support of this unprecedented fact. Compared with Gandhi in this respect all the great leaders of history, religious or other, dwindle, as it were, into mere pygmies. Gandhi is thus the outstanding exception to the dictum of Jesus, so well confirmed in history, that "the prophet is not without honor save in his own country."

Gandhi's following in India is not by any means confined to those of his own faith, the Hindus. Men and women of other religions and races—Mohammedans and Christians, Zoroastrians and Sikhs, own allegiance to him. He has, indeed, a larger Mohammedan following than any single Mohammedan leader in India. For no other Hindu leader that India has ever produced could this be claimed.

The term *Mahatma*, by which he is known, in the Indian language means, literally, "Great Soul." It is a title of

reverence that the Indian people of all ranks and classes and communities have applied to him, and hardly a prince or a peasant in India would refer to him without using it. Gandhi, however, far from having ever sought this distinction, has been embarrassed by it and has begged the people to desist from its use.

Mohandas Karamchand Gandhi, to give him his full name, was born in 1869 at Porbander, in the Gujarat Province of Western India. His family belonged to the Jain faith, perhaps the most puritanical branch of Hinduism, and to the Vaisya caste, consisting of merchants and business men. Gandhi's father had held the position of *dewan*, or chief minister, in more than one of the small native States in Western India, and his family were well-to-do, middle-class persons, several of whom had gone with credit into professional and administrative careers. As a boy Gandhi went to the village school. According to the orthodox Hindu custom, at 8 years of age he was engaged and at 13 he was married to Kasturbai, who has remained his devoted partner for nearly fifty years. At 18 he passed his preliminary Indian University examinations and went to England to become a barrister. He entered Gray's Inn in London and was in due time called to the bar. Returning to India, he was just beginning his career when he was invited to South Africa to undertake important litigation there on behalf of certain prominent Indians.

This casual professional visit marked the turning point in Gandhi's life. In South Africa at that time

the Indians were laboring under various legal disabilities and social and racial discriminations. Gandhi at first merely lent his professional services, but gradually and inevitably he became the champion of the Indian cause. We get an interesting glimpse of his reactions at this period from a passage in his autobiography: "If I found myself at this time becoming more and more absorbed in the service of the Indian community, the reason behind it was my desire for self-realization. I had made the religion of service my own, as I felt that God could be realized only through service; service for me was the service of India, because it came to me without my seeking and I had an aptitude for it. I had gone to South Africa in order \* \* \* to gain my own livelihood. But, as I have said, I found myself all the while in search of God and striving for self-realization."

Gandhi remained in South Africa for nearly twenty years, testing his doctrine of non-violent civil disobedience and his technique of passive resistance in defense of the rights of his people. He underwent many hardships and suffered from legal persecution and mob violence, but in an increasing degree he won, as contemporary evidence shows, the respect of his adversaries. The long and bitter struggle ended finally in victory for Gandhi and his cause as embodied in the Gandhi-Smuts agreement.

This was in 1914, and Gandhi, his work done, started home via England. As the ship entered the English Channel, news of the outbreak of the World War was received, and on arrival in England Gandhi offered his assistance to the British Government. This was an interesting and controversial chapter of his career into which, however, we cannot now enter.

To understand the influences that have shaped Gandhi's career and personal philosophy of life, we must remember that his spiritual roots go back to that Indian religious tradition which derives from Vedic Hinduism,

Buddhism and Jainism, in which he was himself brought up. Jainism may be described as essentially a religion of humanitarianism, because its cardinal tenet is reverence for and non-injury to all life, human or any other. The Jains, moreover, are vegetarians, abstaining from all intoxicants and drugs, and practice sexual restraint. When Gandhi as a young man wanted to go to England to study law, he had to overcome the objections of his orthodox family. His mother consented only after she had made him promise that in England he would scrupulously refrain from meat and alcohol and remain a celibate. As the pages of his autobiography show, this was not done without a great struggle against environmental influences and temptations. Whenever he was in doubt or difficulty, Gandhi says, the thought of his mother and the reflection that she had trusted him overcame his hesitation. A major influence on Gandhi's life, as he has himself acknowledged, undoubtedly came from two women—his mother and his wife.

When Gandhi returned to India he intended to live in retirement. In his earlier career a wealthy man, with a professional income of more than \$20,000 a year, he gave away his entire fortune to various philanthropies and took a vow of poverty. This was in pursuance of his lifelong quest, as he puts it, for spiritual self-realization, and of a desire to identify himself with the poor, the oppressed and the downtrodden among his fellow-countrymen. If today the masses of India follow him with an intense and unflagging personal devotion, it is because they see in him a leader who not only has merged himself with their aspirations but also lives their life and shares their sufferings. His famous loin cloth, for instance, he began wearing when he found that there were millions in India who could afford no better. "My loin cloth," he said recently, "is an organic evolution in my life." It signalized one more step in his progressive identification

of himself with the lives of his people.

Many have questioned on different occasions the soundness of Gandhi's judgment or the wisdom of his methods, but neither friend nor foe has ever impugned his honor or charged him with self-seeking. When in 1922 he was placed on trial for sedition, the British judge, together with the crowded court, spontaneously stood up to do him honor. Gandhi had pleaded guilty to the charge, explaining that he felt it a moral duty to act as he had acted. The judge expressed his regret that he had to sentence him and added: "Even those who differ from you in politics look upon you as a man of high ideals and of noble and even saintly life."

The characteristic note of Gandhi's life is utter simplicity and unaffectedness. He has reduced his life on the material plane to a minimum of needs and a minimum of things. He literally eats only to live, weighing less than 100 pounds. His food consists invariably of a little milk and fruit. His wardrobe is but a few changes of home-spun cloth. On principle he possesses nothing for the sake of possession. His sleep averages from four to five hours a day, on a meager bedding spread on the bare floor.

Gandhi's working day averages twelve hours and is carefully scheduled so as to receive visitors, attend to correspondence, write editorials for his paper, *Young India*, hold conferences with other National leaders and his lieutenants. Thus he directs and supervises the conduct of the vast national movement of which he is the head. He begins the day with an hour's prayer and meditation, and before he finally retires for the night there is another hour's prayer, often accompanied by the singing of devotional songs by the members of the little *ashram* or community house in which he lives. For four hours every day Gandhi spins *khaddar* (home-spun cloth) as an example and encouragement to all his followers. (The economics of *khaddar* is a large ques-

tion. It must suffice here to say that Gandhi attaches great importance to this movement in his plan for the regeneration of India.) One day every week Gandhi observes complete silence, which may not be broken in any circumstance. In this way he rests and recharges his nervous batteries. But the day of silence does not mean a day of abstention from work. He works all day, as usual, so far as reading and writing are concerned, but refrains from conversation.

Gandhi is and looks an ascetic. His most striking feature is his eyes, or rather the expression of his eyes. No one who has looked into them can doubt the greatness of the man. Yet there is nothing gloomy or funereal about him. On the contrary, Gandhi has a keen sense of humor, the gift of spontaneous laughter and an unusually winsome smile. With the exception of his eyes, his features are neither regular nor beautiful. A massive gray head is supported on a frail neck, and a large pair of spectacles precariously rests upon a long nose surmounting a large mouth and a firm, pointed chin. He is clean-shaven, except for a short, close-cropped mustache. His height is medium, but his ascetic frame makes him appear smaller than he is.

Gandhi's philosophy of life, which has taken him many years to mold and temper, may be briefly set forth. When asked recently to give the world a new decalogue based on modern needs, he answered: "It would be presumptuous of me to attempt to lay down rules for the conduct of others, but I do not mind telling you what my own rules have been. They are like so many lamp-posts guiding me through life's pathway, and they have guided numberless of my co-workers." The rules he gave are: (1) The service of truth as one sees it; (2) *ahimsa*, which may be rendered in English as love; (3) *brahmacharya*, which may be inadequately translated as chastity; (4) restraint of the palate, which he interprets as eating only for

sustenance, and avoiding intoxicants and drugs and even tobacco; (5) abstaining from the possession of things for themselves; (6) adherence to life's law that one's bread must be earned by the sweat of one's brow; (7) *swadeshi*, the belief that man's primary duty is to serve his neighbors; (8) belief in the equality of all mankind; (9) belief in the equality of all the great faiths of the world; (10) fearlessness.

Belief in the equality of all the great religions of the world is one of his profoundest convictions. He said once: "I am convinced that God will one day ask us only what we are and what we do, not the name we give to our being and doing." Another of his utterances in this connection reveals his attitude toward the British and their dominion in India. On an occasion of memorable tension, when he was being accused by some of his more radical followers of showing undue forbearance to the British, he said: "There is only one God for us all, whether we find Him through the Bible, the Koran, the Gita, the Zend-avesta or the Talmud, and He is the God of love and truth. I do not hate an Englishman. I have spoken much against his institutions, especially the one he has set up in India. But you must not mistake my condemnation of the system for that of the man. My religion requires me to love him as I love myself. I have no interest in living except to prove the faith in me. I would deny God if I do not attempt to prove it at this critical moment."

Precisely what is Gandhi seeking? From the beginning of his career until 1919, through peacetime and wartime, Gandhi actively cooperated with the British Government and was decorated for his services. He has stated that his course of action was not the result of his blindness to the many shortcomings of British rule, but the outcome of his belief that in its totality

and ultimate tendency it worked for the good of the Indian people. This conviction he deliberately and definitely discarded after the massacre of Amritsar in 1919. It was then that he emerged from his seclusion to head the national movement of India. Ever since then he has been its acknowledged leader, combining in himself the rôles of both spiritual guide and political strategist. But then Gandhi's politics are peculiarly his own. He considers that politics is a department of religion and should be conducted and regulated by the sternest of moral criteria.

He has come to the conclusion that British rule in India is bad not only for India but also for the British. His sympathy for the economic plight of the masses of his fellow-countrymen is equaled by his concern for the spiritual destiny of the British rulers of India. If British rule cannot be mended, he says, it must be ended. Gandhi is not without significant friends and supporters in England. Ramsay MacDonald, Sir Gilbert Murray, Josiah Wedgwood and Charles F. Andrews are only a few of those whose appreciation of Gandhi and sympathy with his cause are a matter of public record.

We may close with a glimpse of Gandhi as seen and recorded by Dr. Sherwood Eddy, who visited him on the occasion of the meeting of the Indian National Congress in Lahore last year: "I went to say good-bye to Gandhi. He was in his private tent, and we walked to the large tent together. But the multitude thronged upon him. I saw men's faces lit with a love I have never seen for any human being. I saw mothers hold up their children to see him. I saw educated men close their eyes in prayer, or touch his garments or kiss his foot. I saw him moving as calm and untroubled as Buddha. On that old face I saw a light that never shone on sea or land. I had seen a man who lived in God."

# China's Failure to Suppress Opium Traffic

By FRANK BUCKLEY

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[The report by the Chinese Government to the International Opium Conference at Geneva stated: "The official policy of the Chinese Government has always been one of total prohibition of the production and consumption of opium except for strictly legitimate purposes." But the inefficiency of national control, as described in the article printed below, is tacitly admitted by China, for the report added that it would be hopeless for China to suppress opium traffic adequately until the other powers did so. This was said in connection with China's charge that large quantities of opiates, such as morphia, cocaine and heroin, are illicitly introduced into China from Europe and Japan, and also that the colonial administrations of Great Britain, France, Holland and Portugal in the Far East maintain government monopolies of opium, the revenues from which are largely derived from sales to Chinese residing in the territories under those administrations. Whatever the status of these matters, further corroboration of China's inability or lack of will to control the traffic appears in the report that she has recently abolished her own official opium sales bureaus on the score of "inefficiency," as noted by Professor Quigley in September CURRENT HISTORY.]

**P**OOPPY smoke blankets China like an impenetrable fog. To be sure, she has her Criminal Code of 1928, prohibiting sale, possession, importation and exportation of opium, its derivatives and cocaine. This likewise forbids cultivation of the poppy or the coca leaf for production of opium and cocaine. Yet cultivation continues on a large scale, farcical customs enforcement allows smuggling under the very noses of officials, and the government sits by either helpless or un-

willing to stem the rising tide of drugs.

China once made a supreme effort to shake off the opium evil, and was almost successful. One of the last and greatest reforms introduced by the Empress Dowager, whose régime preceded the republic, was an edict, promulgated by the puppet Emperor in 1906, to the effect that within ten years the evils from native and foreign opium were to be completely wiped out. In large measure this was actually becoming true when, in 1917, a Chinese Vice President purchased \$20,000,000 worth of Indian opium and sold it secretly at extravagant prices. Immediately poppy cultivation was revived, and by the Spring of 1919 the fields in West Szechuan, where the plant had been eradicated, were reported to be everywhere in bloom with poppies, the price of opium was rapidly falling, and city dwellers were again sodden with the drug.

China was then, as still, in the throes of revolution. Her provinces were the spoil of bandits, masquerading as patriots. Their leaders compelled farmers, at the point of the bayonet, to cultivate the poppy for opium revenues. Magistrates themselves issued proclamations in which they represented that the people had asked permission to grow poppies, announced that this was granted, and pointed out the benefits to growers of thus recouping the burden of army taxes.

Official Chinese do not take kindly

to foreign interference with their drug difficulties. Strenuous objection was made to a proposed League of Nations investigation of opium-smoking conditions in the country. And in January, 1931, at Geneva, the Chinese representative on the League's Opium Suppression Committee declared that there was considerable improvement in the suppression of poppy cultivation and opium smoking during 1929 in many provinces of China, "except in a few restricted areas or in foreign concessions and leased territories." The reference to "foreign concessions and leased territories" is significant. Foreign settlements, the argument generally runs, are obstacles to successful prosecution of anti-opium campaigns. To understand this, a brief account of the nature of opium and its derivatives is helpful, since it is true that large quantities of the derivatives of opium are manufactured abroad.

Opium is defined as "the coagulated juice obtained by slitting the unripe seed-pods at the base of the poppy blossoms." The raw product is the ordinary opium of commerce and, as such, is exported from producing countries. From this primary substance are made "prepared" opium, used only for smoking, and the drug-derivative medicinal opium, as well as its by-products, morphine, heroin and codein. The latter drugs differ from opium, whether raw or prepared, only in that they are the concentrated morphine essence of the poppy. The Chinese product is suitable for little else than smoking and retails from 80 cents to \$1 an ounce. The Persian variety is much more desirable to the discriminating addict because of its higher morphine content and its greater availability for extraction of drug derivatives. It retails for about \$70 the ounce.

Some time ago a Chinese Foreign Office communiqué referred to the increased traffic in manufactured drugs produced in foreign countries and

destined for sale in China. It was specified that the Chinese customs had in 1929 seized 10,000 ounces of morphine, 3,000 of heroin and 6,000 of opium. The inference was that these foreign-manufactured drugs were gaining the ascendancy over domestic opium. No mention was made of the many tons of opium annually ferried down the Yangtse, nor of the 300,000 ounces of opium taken in Shanghai alone in 1930.

Opium is neither cultivated nor produced at or near any of the foreign settlements, and there are no drug factories in those areas. Chinese governmental police, customs, military and naval forces control access to foreign municipal zones. Yet in Shanghai today there is probably stored in bulk, in the Lunghwa district, hundreds of tons of Yunnan and Szechuan opium which has traveled many miles across country or down the river under protection of the Chinese army or navy. It is safe to assert that native customs officers dare not interfere with contraband so protected. There would be no opium problem in China today if that product were not produced in thousands of tons and protected on its passage to lucrative markets.

One incident was related to Geneva conferees which of itself casts grave doubts on the Chinese Government's sincerity in opium suppression. A Chinese launch containing a cargo of more than two tons of opium was stranded in British territory and seized. Its captain demanded immediate return of his cargo, asserting that it was anti-opium medicine destined for Swatow and covered by permit from the Opium Suppression Bureau. The Mayor of Canton formally requested its release, and when the matter was referred to the Chinese Government the latter stated that it would make no objection to restoration.

There was also a pitched battle in the streets of Shanghai between Chinese police and military gendarmerie for possession of 2,000 ounces of

opium brought down the river by a Chinese merchant steamer. The military won and carried off the booty.

Further evidence of opium protection is found in the story in the *Peking and Tientsin Times* of Feb. 12, 1931, of the fortified drug village of Sinchuan, on the Honan-Shansi border, where 3,500 men, women and children are engaged in the manufacture of "pai mien," a white powdered drug derived from opium. The entire populace of this village subsists on the drug traffic. A fearless, well-armed constabulary, impregnable walls and abundant financial resources serve to furnish immunity from governmental molestation. There are even officers for "diplomatic intercourse," which is the term for official relations. Armed convoys carry the product to market, and monthly revenues are estimated at \$100,000.

It is the famous Yangtse River, commercial artery to the hinterland, which is the logical outlet for raw opium, for it winds through rich poppy-raising provinces to a lucrative market at Shanghai. The product comes down stream via Chungking, Ichang, Hankow and Nanking, and factories for manufacturing drugs are known to exist as far down as Wuchang, Hankow and Wusueh.

Yangtse shipping is controlled by British, American and Japanese companies, as well as by Chinese. All carry opium on down-river trips. In justice it should be said that their participation is more or less unwilling. Their policies are against interference with opium, but only because it would spell ruin to their legitimate river trade, since competition is keen.

Opium is brought to the ships openly. Frequently military guards accompany shipments as far as the vessels. Once aboard, the product is entrusted to the buyer, the tea-boys or some other faithful member of the ship's complement. Usually an agent of the up-river drug rings travels with the consignment to the port

where it is marketed. On Yangtse vessels any search by customs authorities for opium en route or at the point of unloading is generally farcical. Occasionally a small consignment is taken with great ado, while a much larger one is "overlooked." But no one living in China could mistake the presence of opium in any large quantity aboard a vessel, for the drug is readily recognized by its characteristic smell. It is usually shipped in standard packages, wrapped in sacking, not often over a cubic foot in size. Upon arrival at the port of destination, coolies usually carry the cargo ashore as openly as it was shipped, but sometimes the opium is enclosed in waterproof rolls and dropped overboard at night, to be picked up by waiting sampans.

Nobody knows definitely how much opium is produced in China today. The National Anti-Opium Association has estimated that the acreage under cultivation is capable of producing 8,000,000 pounds, but this estimate excludes the provinces of Yunnan and Szechuan, where poppy is the principal crop. British consular reports estimate the annual output of the latter areas as more than 13,000,000 pounds. Dr. Wu Lien-teh, one of China's most widely known physicians, for many years head of the Manchuria Plague Prevention Board, and an authority on opium conditions, places the annual production of native opium at 24,000,000 pounds, and its revenue as anywhere between \$35,000,000 and \$70,000,000.

There are many in China who believe that some, at least, of the revenue derived from opium taxation finds its way to the National Treasury, and point to the official "Classified Table of Revenues from Provincial Commissions of Finance and various Tax-Collecting Offices" for the sixteenth fiscal year of the republic (1927-28), which includes sums aggregating \$18,808,607 under the heading "Opium Prohibition Revenue." The largest of such items

(\$8,650,381) is that for Kwangsi, a province that flourishes under opium production. Municipal authorities are less circumspect. The Hankow *Monthly Gazette*, under the thinly disguised caption "Surtax Charged on Special Goods," shows revenues, for eleven months of 1930, as \$1,927,263. Opium in China is taxed by every conceivable body, with or without legal authority to impose such taxes. But it pays as it goes. Provincial officers levy for cultivation, military forces for protection during passage from one military zone to another. War lords also collect cultivation taxes. Cities and towns impose additional monetary burdens on sales on the streets or in licensed dens, the latter in the form of a "lamp tax," running from \$1 to \$5, according to the number of lamps. Licensed dens bear a sign over the entrance "Cure for Drug Addicts." The traffic in Canton is a semi-governmental monopoly, with no less than 200 licensed dens bringing in an approximate revenue of \$500,000. In the British Concession of Hankow, restored to Chinese jurisdiction in 1927, nearly \$2,000,000 in opium taxes was collected for eleven months of 1930.

In the Fall of 1930 over 4,000 coolie loads of opium passed through Kweiyang in the province of Kweichow. Its value at the point of shipment was about \$1,600,000, but when it had passed the various tax barriers and arrived at its destination the value had jumped to over \$3,000,000. Another caravan passed through Fukien from Szechuan in the Spring of the same year, consisting of over 1,500 coolie loads, under heavy military guard. In May, 1930, advancing "Red" armies caused an exodus of opium merchants from a city in Kwangsi province. The fleet which carried away these merchants transported \$800,000 worth of opium, upon which the government is alleged to have collected \$300,000 in taxes. One small district in Kansu province

produced \$1,500,000 in taxes in a single year.

Farmers are compelled to pay a cultivation tax whether they produce opium or not, and the assessment is generally so high that production of opium is the only means by which it can be met. Field taxes run as high as \$26 per acre. In Kansu province, which is over 125,000 square miles in area, every acre of land that can be spared is used for opium cultivation. This same situation is found in other provinces.

H. G. W. Woodhead, editor of *The China Year Book*, has recently published in the *Shanghai Evening Post and Mercury* a survey of opium conditions throughout China, telling a story of entire provinces devoted to opium cultivation, under compulsion by military and provincial authorities; of coolie loads, horse loads and ship loads transported through the provinces under military convoy; of drug vendors openly shouting their wares on city streets; of public stalls where opium can be purchased; of one place where 98 per cent of the male and 40 per cent of the female population are drug addicts; of Shanghai, "Smuggler's Mecca," flooded with drugs from river boats under the eyes of military, naval and customs officers, with the illicit traffic attracting thousands of the worst criminal elements. It was also shown that communities existed where mothers blow opium fumes into babies' mouths to quiet their crying; where children whose ages range from 8 to 10 years are confirmed addicts; where wholesale addiction has wrought poverty, disease and famine.

"It is no exaggeration to say," Mr. Woodhead concluded, "that opium can be obtained in practically every city and town in China, that in most provinces the sale and transportation of the drug are under official protection, and that the illicit imposts levied upon the production, transportation and consumption exceed the profits of any legal tax in the country."

# A New Alaska in the Making

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By RAY LYMAN WILBUR

*Secretary of the Interior*

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SUPERIMPOSED upon the United States, Alaska, our huge Territory of the North, would reach from Norfolk to San Diego. Its area is approximately that of the United States east of the Mississippi. Its three great mountain ranges give it mineral wealth and water power. Its plains are comparable in size to the Corn Belt of the Central States. Great coal veins are exposed on its hillsides, and there are vast hidden stores of gold, copper and tin. Its forests are perhaps its greatest resource, with spruce, hemlock, birch and cottonwood in billions of feet. The rainfall varies from 15 to 200 inches, providing great potential water power. Its 26,000 miles of seacoast yield annual takings of fish worth \$50,000,000. There is a wide variation in climate; certain areas enjoy heavy fog and thick vegetation, others are like the dry plateaus of North Dakota. The temperature varies from 50 below zero on mountain tops to 80 above in some of the valleys.

Alaska, formerly the property of Russia, was purchased in 1867 by the United States for \$7,200,000 in gold. For ten years it was nominally governed by the War Department; then, between 1877 and 1879, the Treasury Department, through a deputy collector of customs, administered its affairs. From 1879 until 1884, when civil government was established, the Navy Department had charge of the Territory.

In 1874 an attempt was made to

colonize Alaska with Norwegians, who were then leaving their own country in large numbers, and a delegation was taken to Alaska on a United States man-of-war. They were pleased with what they saw, declaring that the Kadiak archipelago and the coast of Cook's Inlet were far superior in natural resources to their Old-World home. Unfortunately, before their favorable report was in the hands of the government, the tide of immigration had turned to Canada and our Northwestern States. Thus Alaska missed becoming a new Norway.

Like most new communities, it has had its dramatic moments. In 1878, for example, the Sitka Indians began to cause trouble, defacing the graves in the Russian cemetery, pulling down the stockade separating the town from the Indian settlement, and committing other outrages. At that time not even a revenue cutter was present in the harbor, and the inhabitants, becoming alarmed, sent an appeal for protection to the commander of a British man-of-war in the harbor of Victoria, B. C. The assistance was promptly rendered, and its presence alone, it was claimed, prevented disaster; opinions on that subject were, however, divided. In due time the British man-of-war was relieved by a vessel of the United States Navy, and since that time a warship has been stationed in the harbor of Sitka, affording protection to and assisting inhabitants of Southeastern Alaska in various ways.

The establishment of a school system was a work of great magnitude, beset with many difficulties. The Territory, equal in area to one-fifth of the United States, was icebound and inaccessible during eight months of the year, with the exception of a narrow strip of its southern coast. In this vast region the only points of civilization were a few scattered trading settlements, hundreds of miles apart, and the only available means of communication was a small steamer plying monthly between Puget Sound and Southeastern Alaska. Thousands of miles from Washington these schools were to serve for the most part backward native population. In 1884 a contract was made with the Moravian Church for the establishment of a school among the Eskimos on the Kuskokwim River. Two years later the school service was extended westward along the shores of the North Pacific Ocean and to the Aleutian Islands. As there was no regular means of communication with Western Alaska, the Office of Education chartered a schooner for the transportation of the teachers, building materials and supplies. In 1886 schools were set up in the valleys of the Yukon and Nushagek Rivers by contract with the Protestant Episcopal, Catholic and Moravian missionary societies.

By permission of the Secretary of the Treasury, the Rev. Mr. Sheldon Jackson, a missionary who had been appointed general agent of education for Alaska, accompanied the U. S. S. Bear on its annual cruise in the Bering Sea and Arctic Ocean. Thus the school system was further extended. During the previous Winter contracts had been made with the American Missionary Association for the establishment of a school at Cape Prince of Wales, on Bering Strait; with the Protestant Episcopal Church for one at Point Hope, and with the Presbyterian Board of Home Missions at Point Barrow, the northernmost set-

tlement on the continent. During the few weeks of open navigation in mid-summer, 1890, supplies and building materials for the schools at these remote points were landed, and within a few months the institutions were in successful operation.

The Rev. Mr. Jackson later brought to the attention of the Commissioner of Education the fact that the Eskimos inhabiting the shores of the Arctic Ocean and the Bering Sea were starving, and recommended that reindeer from Siberia be imported, and that reindeer herding as an industry in connection with the schools in Northern Alaska be introduced. The following Winter the first steps were taken to carry these recommendations into effect.

Alaskans are naturally adept in the use of tools, and practical training in carpentry has been given to them in connection with the erection of school buildings; those on the shores of the Bering Sea and the Arctic Ocean were erected by natives under the direction of white carpenters. In Sitka and in other places in Southeast Alaska the unsightly huts have been replaced by neat frame buildings erected exclusively by native carpenters. Skill in boat building is widespread; their craft are models of symmetry. In many instances Alaskan natives have shown themselves able to run launches and to operate the machinery in sawmills, mines and canneries. Cooking, sewing, dress-making, and basketry have been taught to the native girls in several of the schools.

The influx of settlers after the discovery of gold in the Klondike marked a new era of development. In 1899 Frank C. Schrader of the Geological Survey came down the Yukon after tramping various areas never previously seen by white man. At the mouth of the river he heard of the discovery of gold at Nome, further up the coast. Going there to make a geological reconnaissance, he found that the metal was being washed out

of the sand along the beach. The waves beating there through the centuries had sifted out the light material, leaving the heavier gold. Schrader also found, some fifteen miles inland, a geological beach where the waves had beaten thousands of years before. He thought that the inland beach had been pounded for a great period by the ocean, and that its sands too should yield much gold. On his return to the United States Schrader published a report and a map of his find, but it received little attention. A year later, however, a prospector with his pan washed out some of the sand at the inland beach. There was gold in it. It yielded the greater part of the wealth of Nome.

Since 1880 the mines of Alaska have produced \$615,501,000, mainly in gold and copper. The peak in the production was reached in 1916, with a valuation of \$48,386,508. Since that time there has been a gradual decline, until in 1928 the low point of \$14,061,000 was reached. In 1928 the production of gold from lodes exceeded that of the placers, but, in 1929, the placers again forged ahead. The total gold production from all sources in 1929 was valued at \$7,761,000, as compared to \$6,845,000 in 1928. Mining of copper ores on a commercial basis is confined to two districts, Latouche Island in Prince William Sound and Kennecott in the Copper River district. In 1929, 590,400 tons of copper ore produced approximately 40,510,000 pounds of copper valued at \$7,130,000, as compared with 41,421,000 pounds, valued at \$5,965,000, in 1928.

Coal production from three operating mines is about 100,000 tons a year.

The Department of the Interior has steadily advanced the development of the Mount McKinley National Park, so that its wealth of animal life and its magnificent scenery may become accessible to tourists. Mount McKinley, the highest mountain in North America, rises higher from its base than any other mountain in the world.

Of its total height of 20,300 feet above sea level, the greater portion, or about 17,000 feet, rises above timberline and above the tundra-covered plateau. Of great interest are the herds of wild animals that roam through the park in increasing numbers. The large-antlered caribou, mountain sheep, moose and the great Alaska brown bear often may be encountered, and the Alaskan grizzly is also in evidence.

Important as examples of conservation and development of a natural resource are the fur seal herds of the Pribilof Islands and the reindeer herds of the mainland. The seals had been reduced to a few thousand at the beginning of this century when the Department of Commerce took control. Under protection the seals have increased until today there are nearly 1,000,000; soon the colony will produce 100,000 sealskins, worth \$2,000,000 annually.

The reindeer, on the other hand, are controlled by the Department of the Interior. There were no reindeer in Alaska until 1,280 head were brought from Siberia some 40 years ago, intended chiefly as an additional food supply for the Eskimo, as already pointed out. It was found, however, that an area as large as the State of Texas could be used for raising reindeer, and the animals have spread steadily. There are now over 600,000 and they may form the basis of an important new stock raising industry. Recently a council, consisting of the Governor of Alaska, the Chief of the Alaska Division of the Bureau of Indian Affairs, the Superintendent of Reindeer in Alaska, a representative chosen by and from the Eskimo reindeer owners and a representative of the private interests which own the largest individual herds in Alaska, was created to formulate range rules and regulations for the control and further development of the herds and to institute plans for the nation-wide sale of reindeer meat.

Heaviest of the responsibilities of

the Department of the Interior in Alaska has been that for the health and education of the native population. \$1,200,000 was spent for this purpose in 1930 by the Office of Education. In 1931 the Indian Service assumed control as an administrative agency better fitted to carry on this work. There are 12,000 Eskimo American citizens scattered along the Bering Sea and the Arctic. The Aleuts who are an admixture of Eskimo, Indian and Russian, live on a chain of islands as far west of San Francisco as San Francisco is west of New York. In the interior, where rise the Yukon, the Porcupine and the Koyuk River, are the Athabascans, most isolated of all human beings on this continent. It is probable that there are groups of Americans at these headwaters who have never been seen by white men and who do not know that a world beyond exists. Down that fringe of Alaska that reaches furthest south, where the climate is warmer, are to be found the Thlingets, the Hydas and the Metlakatlans, not unlike the Indians of the Northwestern States. In villages that range in population from 30 to 400, these people live, each settlement largely an independent unit.

Already many Eskimos have replaced their igloo homes, which were dirty and insanitary, with houses built under the direction of American school teachers. They are coming to live as civilized people. The youngsters speak English, read and write, and have been taught ventilation and personal cleanliness. Much praise is due the American teachers. A man and his wife may be stationed at a point far out on the Aleutian Islands. A zealous young woman may go alone to a native inland village hundreds of miles from the nearest railroad and there remain for years, snowed in for months at a time. A venturesome youth may take a place in the Arctic and find, in the molding of a civilized

community out of a plastic race, a task so fascinating that he lingers long in working out his experiments. In the Alaskan native community the school is the centre of all activity, social, industrial and civic. The teacher is guide, leader and much else that the community may demand. To be "teacher" in the narrow schoolroom sense is the least of his duties in Alaska. He must often be physician, nurse, postmaster, business manager, wireless operator and community builder.

The government operates and every year loses money on a railroad in Alaska, running from Seward to Fairbanks, 470 miles inland. It was largely in the hope of developing activities to create sufficient freight to make this railroad pay that Congress in 1931 appropriated \$250,000 for continued investigation of the mineral resources of the territory.

The present policy of the Department is to remove as much of the government of Alaska as possible from Washington. Looking to that end the President has appointed three Alaskan commissioners, resident in the territory, and has given them large responsibilities. The commissioners represent departments of the Federal Government in Washington, and each has charge of important branches of administration in Alaska. They are George A. Parks, Governor of Alaska, representing the Department of the Interior; Dennis Winn, Representative of the Department of Commerce, in charge of fishing problems, and Charles H. Flory, representing the Department of Agriculture and in charge of farm, stock and forestry problems. Each of the commissioners has long been a resident of Alaska. Each retains his post as representative of his department and adds to it the duties of commissioner. It will be their business to settle many matters that formerly came to Washington for determination.

# Open Methods in Modern Diplomacy

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By P. W. WILSON

*Former Member of the British House of Commons*

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THE world is today facing a succession of crises, political, economic and revolutionary. It is the painful road of transition along which mankind is traveling toward an era which still lies beyond our range of prophecy. In an estimate of this unforeseeable future, there is one factor, pervasive and universal, the full importance of which we have not yet begun to recognize. It is the new diplomacy.

The specific problems that confront us are not so novel as sometimes we suppose. We discuss the Danzig Corridor, the presence of Italians in French Tunis, the approach of Austria to Germany, the Russo-Japanese rivalry in Manchuria, disarmament, debts and reparations. But the Victorians in their day were no less concerned over the Eastern Question, as they called it, which included Ottoman finances, over Alsace-Lorraine, the sovereignty of Morocco, the partition of China and the growth of armies and navies. It is in the method of dealing with such problems, whether new or old, that there has been so far-reaching a transformation. The diplomacy of 1931 differs from the diplomacy of 1914 as completely as an airplane crossing the Atlantic differs from a stage coach on a turnpike road.

We are apt to assume that this difference is due to certain machinery of negotiation which since the war has

been elaborately organized. There is the League of Nations, with its annual Assembly, its Council and its permanent Secretariat, which serves as a clearing house for ideas and a rendezvous for statesmen and international authorities. There is the World Court at The Hague which passes judgment on cases arising under the law and equity of nations. There are special and frequent conferences, meeting at assigned places like Washington, Genoa or Locarno, which deal with stated situations. All these activities are useful and important. But, taken together at their full value, they are not what is meant by the new diplomacy.

It is not the machinery of international negotiation, however admirable it may be, that has made so great a difference. It is the current that drives the machinery, and this current of influence, if analyzed, will be found to include what Bismarck would have called three "imponderables." Taken in combination, they are without precedent in history. First, there is the new publicity; secondly, there is the new rapidity, and thirdly, there is the new sincerity. This publicity, this rapidity, this sincerity, constitute the new diplomacy.

The new publicity has swept over the world like a flood when a dam bursts. It is difficult to realize that as recently as January, 1918, President Wilson was demanding such publicity

as a right still denied to peoples by governments. To him publicity was still a *Magna Carta* to be claimed by democracy and yielded by autocrats. In the very first of his Fourteen Points he insisted that "open covenants of peace must be openly arrived at"; there must be "no private understandings of any kind," and "diplomacy shall always proceed frankly and in public view." But the publicity that has been actually achieved far surpasses any concession by governments that President Wilson advocated. Here is an atmosphere, invisible yet permeating, which envelops governments and peoples alike as inevitably as the air that all alike have to breathe. We have arrived at the moment when "there is nothing covered that shall not be revealed and hid that shall not be known."

The agent of publicity is the press, reinforced by radio, cable and telephone and mobilized as the armament of immediate knowledge. No government and no individual can today prevent the press from acting as the eye and the ear of mankind. Prominent persons appoint agents who keep reporters at a distance, and correspondents are told that they must not quote the President textually. But, as the Wendel family discovered, a person who plays the hermit merely advertises himself; and it is equally impossible, even for Tibet, to maintain itself as a hermit sovereignty.

In Russia, Italy and other countries dictators are able at the moment to censor newspapers. But it is only within the territory of the particular dictatorship that the press can be so muzzled.

Elsewhere newspapers can publish what they like. The general body of information, available for the world, is not materially diminished, and the censorship thus results in a paradox. Under such a censorship information is everywhere available except in the country most affected by it. A Russian or an Italian has to come to New York or London in order to learn what

is happening in Italy or Russia, and a papal encyclical dealing with Fascism is read everywhere in the world except in Rome. Censorship in these days is like an ostrich, which bird supposes that, if it hides its head in the sand, nobody will see its body. It is a significant circumstance that the very dictators who impose so severe a censorship are themselves exceedingly susceptible to the comments of international journalism.

The new publicity means, then, that nations are inhaling, hour by hour, day by day, an atmosphere of information which is different from any atmosphere hitherto contributory to public opinion. Already the mentality of the race has been powerfully affected and in a very few years that mentality will have passed through a renaissance wider in its range of culture and deeper in its penetration of instincts, customs and traditions, than any European renaissance in the fifteenth and sixteenth centuries. It is the new publicity that has changed the old diplomacy. To the diplomat of the past secrecy was upheld as an official prerogative. When questioned, the diplomat frequently answered that the disclosure of the desired information would not be in the public interest. Even when governments needed information for their own purposes they employed a secret service. They refused to share the knowledge so obtained with the rest of the world.

All that kind of thing has been swept into the discard. Doubtless there are secret services, as busy as ever, looking for clues to chemical processes whereby poison gas may be rendered more poisonous, and to similar enlightening mysteries. But in the main, the secret service today is like a man who lights a candle in order to read at midday in the sun. There are no material facts for a secret service to discover. In range of efficiency no espionage has even approached the press as a means of finding out what is going on, and the press exists to tell the world all that it has found

out. Secret information has been blazed abroad in full page headlines.

For statesmen this means a completely new kind of existence. Hitherto they have formed an oligarchy and have belonged to a kind of exclusive club to which the passports were privilege and power. They did not try to know many people personally. Few people outside their circle and caste knew them. They would answer letters with their own hand. But nowadays a statesman is, like any other man of business, part and parcel of an elaborately organized administrative machine. He has to consult numerous officials. He has to employ numerous secretaries. There is not an hour of the day when he can elude observation. His movements are watched closely. It is known whom he meets, what journeys he is undertaking and what subjects are under his serious consideration.

The press, therefore, is not content with communicating merely those decisions of diplomats which may have been officially declared. It follows and explains continuously the processes by which results are achieved. A statesman may keep his mouth shut. But his very silence can be so "interpreted" as to force him to explain himself. No decision may be announced. But if there be a decision it begins to be inferred—assumed—taken for granted—and for all practical purposes the news of it has leaked out. The more important the secret the wider must be the circle where it has to be discussed, and a secret thus shared ceases to be a secret any longer. Gradually the knowledge of what is going on, even if it be marked confidential, becomes common knowledge.

To talk in these days about open covenants, openly arrived at, would be, then, to indulge in an anachronism. Unless it be open and openly arrived at, there can be no covenant worth the paper on which it is written. The registration of a treaty with the

League of Nations or the ratification of a treaty by a Senate or Parliament is no more than a final step in a continuous process of approval by public opinion. The real veto on foreign policy is thus a steady pressure applied by means of comment, speculation, assertion, denial, appreciation or criticism. A statesman who tries to act behind the back of the people soon discovers, at any rate in the English-speaking world, that he is regarded as having gone beyond the limits of his authority.

The change in diplomacy here indicated may be illustrated by two incidents, the one dated before the war and the other afterward. In August, 1914, Sir Edward Grey disclosed a letter, previously held secret, which authorized military conversations between Great Britain and France. He insisted strongly that nothing in this letter committed Great Britain to support France in the event of war, on which aspect of the case more than one opinion has been held. But the point here is that, as things then stood, such a letter, whatever commitment it involved, was one that Sir Edward Grey, as Foreign Secretary, had a right to sign. Parliament accepted it.

In 1928 Sir Austen Chamberlain signed a precisely parallel document. By it France agreed to support the British contention as to cruisers while, as a quid pro quo, Great Britain agreed to support the French contention as to trained reserves. The undertaking by Chamberlain, like the undertaking by Grey, was confidential. What happened? By the action of Mr. Horan, a Hearst correspondent in Paris, the substance of the Chamberlain bargain was disclosed. We need not discuss the methods by which the "scoop" was obtained. Enough that both the correspondent, and at a later date Mr. Hearst himself, were expelled from France by the government. It is the sequel to the disclosure that concerns us. The bargain was repudiated instantly by the British Empire; Sir

Austen Chamberlain narrowly escaped defeat in his constituency, and it is generally agreed that he will not again serve as Foreign Secretary. Even the Conservative press in Great Britain was outspoken in condemnation of a secret diplomacy which, before the war, was held to be entirely reputable.

If the new publicity in international affairs is astonishing, what are we to say about the new rapidity? Compared with any means of communication known hitherto to mankind, ours is instantaneous. In the days of the covered wagon, the Constitution allowed a period of six months to intervene between the election of a new Congress and the opening of its first ordinary session. Today a fortnight would be ample. In 1834 Sir Robert Peel happened to be in Italy when King William IV sent for him to be Prime Minister. It was nearly a month before Peel was at his post. Today he would be informed by telegraph and his return to London by airplane or even train would be a matter of hours. When Canning was suggesting the idea out of which developed the Monroe Doctrine, it took two months at least to send a letter and receive a reply across the Atlantic. But President Hoover converses with Secretary Stimson and Secretary Mellon over the long-distance telephone. We do not always remember how fatally at times the old diplomacy was rendered ineffective simply by the delays which, hitherto in human history, have been unavoidable owing to slow communications. One of the chief grievances of the colonists in 1776, set out in the very forefront of the Declaration of Independence, arose out of the difficulty of obtaining the assent of the King in London to necessary measures within a reasonable time.

The new publicity, emphasized by the new rapidity, has forced diplomats to adopt the new sincerity. Let any one examine the prolonged and elaborate argument over war guilt which

has been proceeding with such vigor in so many quarters. What is it that will impress him? However he may regard the merits of that controversy, he cannot but notice that diplomacy itself was largely responsible for the disaster. The entire debate turns upon huge accumulations of State papers, almost the whole of them secret or unknown to the world as a whole, and revealing an ever varying kaleidoscope of cross-purposes. The principals in the drama seldom, if ever, met one another face to face, and when they did meet, it was in circumstances of such ceremonial constraint that any approach to candor would have been bad manners. With war obviously imminent, Sir Edward Grey tried to keep the peace. But by what method? Merely private negotiation. The warnings of Grey were grave, courteous, impressive. But they were confined obviously within the limits of diplomatic propriety and not a syllable reached the outside world, which was kept largely in ignorance of the looming disaster. Public opinion, overwhelmingly on the side of peace, was given neither the time nor the opportunity of expressing itself. It is a simple fact that the question whether the world should be plunged into an Armageddon was not debated, fairly and frankly, in one Parliament of any of the nations directly affected.

Today statesmen are looking mankind and one another in the face. President Hoover and Prime Minister MacDonald and Mussolini himself are speaking over the radio and otherwise with uncompromising candor. They are saying in terms which are quite unmistakable that there must be disarmament if we are to have peace; and this policy of laying the cards on the table, face upward, may be illustrated also by the absolute frankness with which Philip Snowden, dealing with finance, puts his position before the world. In days gone by, any assembly of statesmen, say, the Berlin Congress of 1878, was an affair of

infinite formality in which gold lace and precedence were as important as the results achieved. Today the Bismarcks and the Talleyrands and the Metternichs and the Beaconsfields are flying by airplane to Chequers or some convenient wayside inn, as Lord Rosebury used to call it, and are hobnobbing over their cigars as personal friends.

The new sincerity is reducing what has been on many occasions the risk of personal idiosyncrasy. The fact that King Edward VII as uncle could not get on amicably with his nephew, ex-Kaiser Wilhelm, was unfortunate. But who today would waste a thought on such a domestic detail? In July, 1931, the question that agitated the world was not whether one illustrious person liked the manners of another illustrious person. It was why so much gold was withdrawn from Germany and the Bank of England. The most important men who discussed that question, Andrew Mellon, for instance, had received no diplomatic training, as that term hitherto has been understood, and were, indeed, chosen for this very reason. They were men who come straight to the point, stick to the point and drive the point home. Whatever might be their wounded feelings, they had to stand before the camera and look, if not pleasant, at least reasonable. The world has no longer any use for a statesman who is swayed, not by public interest, but by his personal emotions.

The new sincerity has had a further result. We are beginning to see that certain local differences between nations, however acute they may be in themselves, are intrinsically unimportant when compared with the general interests that depend on the tranquillity of the world. As Bismarck would have put it, they are not worth the bones of a Pomeranian grenadier; and the boy on the banks of the River Mississippi displays a shrewd sense of proportion and perspective when he asks why he should fight to decide

some disputed boundary on the banks of the River Danube. The application of war to such a problem is using a steam hammer to crack a nut.

Many a cause of war, mentioned in former times with bated breath, is seen in the light of history to have been essentially no different in character or importance from administrative affairs which in law and business have to be settled every day of the week. In one case as in the other what should be brought into play is not pomp and circumstance but a dash of ordinary and average common sense. If the supermen of July, 1914, had been compelled to face the radio and broadcast in clear terms the reasons why they refused peacefully to settle the Serbian incident, there would have been no war. There was no reason why on its merits that matter should not have been peacefully adjusted.

The new diplomacy, thus dependent on publicity, rapidity and sincerity, is a great experiment. Every day this experiment is watched by an increasing multitude of people who, up to the present, have taken little if any interest in foreign affairs, but now realize that here is an arena of activity in which all mankind must play a definite part. It is not easy to predict the result of the experiment. It is one thing to realize that atmosphere determines the weather. It is quite another thing to read the barometer which indicates what the weather will be. Here is an ozone exhilarating in its optimism. Here is humidity loaded with pessimism. On the one hand, it may revive weary nations to new life and heal forever long-festering wounds; on the other hand, this new atmosphere may flame forth into lightning and gather its energies into tornadoes.

There are two supreme issues to which obviously the new diplomacy has to be applied. First, we have the question whether civilization is to prepare for a permanent peace or plunge into the next war. Secondly, we have

the no less far-reaching question whether capitalism and a culture that allows civic liberty to the individual is to yield to communism and mass autocracy. Can we form any idea of the effect of the new diplomacy on these fundamental alternatives?

The pessimists assert that history in Europe is repeating itself. For centuries, they say, there has been a cycle which has never varied—first, a war; afterward, a period of peace, but always another war to follow. In 1648 the Thirty Years' War ended in the Peace of Westphalia. In 1713 the War of the Spanish Succession led to the Treaty of Utrecht. In 1814-15 the Napoleonic wars culminated in the Congress of Vienna and the Treaties of Paris. In 1919 the results of the World War were embodied in the settlement at Versailles. Yet already the Treaty of Versailles and associated treaties are challenged.

The optimists reply that, if there were these conflagrations, it was because there was neither a fire department nor a policy of precaution against fire. Take the earlier three of the European upheavals to which allusion has been made. The Thirty Years' War was fought over religion. How do we now discuss religious differences between Christian churches? There are conferences for reunion and there are debates over the air. Who today would consider seriously a war over the Spanish Succession? A return of the Hohenzollerns to the throne of Germany or of the Habsburgs to the throne of Hungary would be undoubtedly a disturbing event. But we are beginning to realize that, with the new diplomacy in force, even Habsburgs and Hohenzollerns become much like other people and little more dangerous. Even the relations of Austria and Germany can be discussed on their merits.

So with the Napoleonic wars. They were fought for two reasons. First, Europe did not like the French Revolu-

tion. Secondly, Napoleon Bonaparte, as champion of that revolution, hit back. But what is the position today? We recognize frankly that if a nation wishes to run a revolution it is entitled so to do and anybody who attempted to organize a holy alliance against that nation would be laughed at. The dictator on his side, whether he be Stalin, or Mussolini, or Pilsudski or Kemal, knows well that the part played by Napoleon is not for him. The new diplomacy surrounds him on every side and acts as an automatic deterrent. Dictators, anxious for adventure, find it impossible to get, as it were, a fair start. The wind is against them, and the more recklessly they go ahead the stronger is the retarding breeze that they have to overcome. After certain perorations Mussolini found this out.

So with the second of the fundamental questions. At first sight there seems to be an irreconcilable collision between communism and capitalism. But the new diplomacy does not discuss either communism or capitalism as a creed. It brings Communists and capitalists face to face. It examines and compares the results of the rival systems. It invites the public to read books and listen to lectures on the controversy. Gradually, it dawns on the capitalist that he is, after all, a bit of a Communist himself, and on the Communist that he is a bit of a capitalist. It is not a simple question of "yes" or "no." It is rather a decision as to less or more. Instead of declaring war on communism the new diplomacy waits to see whether communism will work.

As an optimist I am one who believes, despite all appearances to the contrary, that the new diplomacy, equipped with publicity, rapidity and sincerity, will blaze the trail through the jungle of misunderstanding and swamps of prejudice to the tableland of a secure peace.

# Disunited Europe

By ALBERT BUSHNELL HART

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DURING the last seventeen years statesmen and historians and internationalists have been trying to discover the ultimate causes of the World War, and to fix the moral responsibility for precipitating it upon particular nations and particular statesmen. Europe in 1914 was divided into the five recognized great powers of Great Britain, France, Germany, Russia and Austria-Hungary, with Italy anxious to be accepted as a sixth member of the combine which controlled Europe and the dependencies of European nations all over the world. Yet the only active boundary controversy in 1914 was one which goes back to the Peace of Verdun in the year 843, when the region of Alsace-Lorraine was set apart from the France and Germany of the time.

The real basis of at least twenty wars in mid-Europe since that time has been the bringing together of diverse and hostile race units within boundaries enclosing an area controlled by a single government. Napoleon professed to be a liberator of nations. In Italy, in Spain, in Germany, in Austria, in Poland, he offered freedom from obsolete and worthless dynasties. The puppet kings that he set up in Italy, Holland and parts of Germany really cared more for their subjects than had been the practice of their predecessors. Napoleon even took a fatherly interest in the Helvetic Republic, and the Swiss Federal Constitution of 1803 was approved by him in person. He it was also who attempted to solve the age-long Polish question by creating

a new Poland within the ancient boundaries. Though conqueror of a large part of Europe, Napoleon still realized that people of the same blood, language and common history were entitled to become a national unit.

The British victory at Waterloo in 1815 made possible an attempted return to the geographical conditions before the French Revolution, conditions which involved in many countries the governing of large bodies of human beings by small bodies of a different race. Europe from 1814 to 1914 included several large countries—Germany, Russia, Austria and, after 1866, Austria-Hungary—and the Balkan region. These small race groups were political atoms compressed with similar and antagonistic atoms in the molecule of their district and the chemical compound of their country.

The most striking success in this political chemistry was Switzerland, which, ever since the Napoleonic wars, has been solving the difficulty of bringing its political atoms into accord. In fact, no less than 640 years ago the three atoms of Uri, Schwyz and Unterwalden voluntarily formed themselves into a molecule about which clustered eventually twenty-one other cantons constituting the Swiss Confederation. Little Switzerland, with its 15,940 square miles and its population of 4,000,000, has been, with the exception of a brief civil war in 1848, a single nation with two religious confessions and four languages, of which three are official. It was a great feat of political sagacity and

tenacity in 1914 which enabled Switzerland to remain neutral and untouched by hostile forces while four great armies—French, German, Austro-Hungarian and Italian—roared outside its boundaries.

This is the more remarkable because Switzerland is physically subdivided into many areas of language and religious cultures. Half a century ago more than sixty dialects were being spoken in Switzerland. Schools and newspapers and contact of members in the two Houses of the Federal Parliament—in which a member may speak in either French, German or Italian—have combined those atoms of the Rhine district with the Rhone Valley and the open country to the north into one strong, vigorous, home-loving and home-protecting people. Switzerland, in its narrow confines, is an example of what the friends of European concord hope for all Europe—a persistence of home creeds and churches and national languages, national culture, national history, while retaining the national boundaries.

In this purpose the success of the United States ought to be an example and an aid. As for the native Indian race, tribal wars and rivalries have gone by. There remains a race unit which is not a political unit and which in no way interferes with national life. The introduction of the Negro race was an inhuman error of our ancestors—British, Dutch, French, Swedish, Spanish—all of them in every colony acting together to introduce a political atom which could not be brought into combination with other race groups on an equal basis. For that error of politics and morals a terrible price was paid in the American Civil War.

Immigration of members of the white race might naturally have been expected to introduce race atoms which refuse to combine. If there had been none but Englishmen in New England, Dutchmen in New York, Swedes in Delaware, Scotch-Irish in Pennsylvania, French in South Caro-

lina and Spaniards in Louisiana, the American Union would not have been created. As in Switzerland, however, varieties of religion have not affected the development of the United States and we have almost no settlements, outside those of the Indian Mexicans of the Southwest, in which English is not the common language.

It is difficult, therefore, for Americans to realize the immense importance of race and language in any kind of a scheme for a United States of Europe. In nearly every European State today can be found dissimilar atoms which refuse to unite within their community and still less to combine in anything resembling a European confederation.

We of the United States of America are perfectly familiar with labor unions, benevolent orders and service clubs which may be looked upon as molecules in the social system. We are faced also by a disturbing and disrupting force which works against the peaceful combination of the atoms of our political system. Doubtless the active Communists in America know how many, or rather how few, American Communists there are, but French, German and Italian Communists mean business. Not for them a few bombs under the stairs of a court house, but the destruction of the political system of their countries. The 1 per cent of the Russians who are officially classed as members of the Communist party of Russia are, of course, extremely anxious to overthrow the stable governments of Western Europe and particularly to regain Poland. Outside that body there seems to be no Communist government whatever in Russia, inasmuch as no other than the million or so accepted Communists have any influence on their own government—and not much at that.

Besides this communistic acid which tries to absorb the atoms of European population, there is another baleful influence that affects all Central and Eastern Europe. That is the after-

effects of six centuries of Moslem occupation of one of the fairest parts of Europe. We may take comfort in high explosives, monster guns and defense-destroying airplanes when we realize that it is no longer possible for a few hundred thousand Asiatics to destroy the remains of Roman civilization in Asia Minor, to capture Istanbul, the capital of the Eastern civilized world, and then to push up through the Balkans till within an inch of capturing Vienna. Rich European cities, populous countries, vast expanses of territory were ruled by Asiatics. The Christian religion in those regions was degraded and the Crescent flag flew over Belgrade, Sofia, Athens, Saloniki and as late as 1866 over the fortress of Belgrade.

The effect upon those countries and their peoples has been frightful. The Serb and the Bulgar, the Greek and the Albanian hate each other almost as much as they hated the Turk. Hence any plan for common European understanding must include a change of heart in those intelligent and active-minded peoples whose character has been worn down by centuries of Asiatic oppression.

Within Germany the atoms come closer together, although there are intense political and social hatreds. Germany, the classic land of culture, education, music and art, a country which aspired to be a great colonial power and might have succeeded except for the incidents of 1914, organized in 1871 a federal government very much influenced by the Constitution and experience of the United States of America. Germany, in three successive wars from 1864 to 1871, overcame the resistance of Denmark, of Austria and of France. Powerful Germany is nevertheless made up of a variety of atoms which refuse to unite into a durable compound.

A glance at the map shows the effect of the atomic structure of present-day Central Europe. What is left of Austria is mostly German in race,

thought and aspiration. If the German and Austrian molecules were free to unite they would come together tomorrow, and that would leave Western Czechoslovakia almost an enclave within German territory. Hungary is now a small country crowded in between Czechoslovakia, Rumania and Yugoslavia, at odds with all its neighbors.

Another political molecule very hard to unite in any political compound is Poland. Only students of history seem to remember now that Poland was for ages an independent though tumultuous country, which was iniquitously subdivided among Prussia, Russia and Austria in 1772 and 1793. Hence it is now a molecule of three atoms for which access to the sea has been provided by the famous Corridor, which seems to be an avenue of approach for the future march of armies.

The total population of Europe west of Russia is about 364,000,000, which is almost three times that of the United States. With modern methods of communication by land, sea and air, with modern capacity for organizing great routes of transportation, with a vast variety of products and accumulated wealth, why should there not be a United States of Europe? To a very limited degree there is one in the meetings of the League of Nations, which, however, under its present organization is a place for reaching understandings, for personal conferences of statesmen, for the settlement by consent of the parties of important questions by a World Court. The Assembly has no actual powers but does possess a great influence, and therefore America should be a full member. But we must realize, as must the other nations of the earth, that the bringing together of political atoms and molecules into a governmental compound which is different from and above all its constituents means the kind of insight into political chemistry which is not yet that of statesmen on the other side of the Atlantic.

# The Conquest of Invisible Disease Germs

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*By WATSON DAVIS*

*Managing Editor, Science Service*

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**G**REAT have been the conquests of medicine over disease; yet there are some ills before which science has been baffled and nearly helpless. Some take a tremendous toll of human suffering and life. Many have worked under a cloak of invisibility; their germs could not be seen under the most powerful microscopes. Of great potential importance, therefore, is the work of Professor Arthur Isaac Kendall of Northwestern University Medical School, Chicago, who has made invisible germs visible and caused visible ones to vanish into filterable viruses.

By using culture media similar to the natural foods on which the bacteria feed as they prey on our bodies, Dr. Kendall has succeeded in producing test-tube cultures of many disease germs that have hitherto eluded capture by refusing to grow on the stock culture media used in bacteriological laboratories ever since the days of Pasteur and Koch. He has isolated from the blood of patients the microbes of influenza, common cold, rheumatic fever, arthritis and other hitherto baffling diseases. His achievement has been hailed as "the greatest stride that bacteriology has taken since Pasteur" and "a distinct advance in the knowledge of virus diseases."

Until now it has been impossible to cultivate the invisible germs of such diseases as influenza, smallpox and

measles outside living bodies. Professor Kendall believed this was because laboratory workers offered them the wrong kind of food. All traditional germ diets were made of such things as beef tea or gelatin, which contain the decomposition or break-down products of proteins. But in human and animal bodies, natural prey of disease-causing germs, there are almost none of these; germs naturally feed on the pure proteins themselves.

Professor Kendall set out to get a high-protein ration for his germs. He took pieces of small intestine, human, dog, pig or rabbit, and after treating them chemically to remove the breakdown products, made a culture fluid with what remained. Blood from human influenza patients caused this fluid to become cloudy. A few drops of this cloudy fluid injected into a rabbit's vein gave the animal all the typical symptoms of influenza. Transferred from this "K medium," as Professor Kendall calls his fluid, to the old-fashioned germ foods, the apparently germless fluid soon developed thriving colonies of tiny round bacteria. These appear to be the visible form of the elusive and long-sought influenza germs.

Having induced one invisible germ to come out and become visible, Professor Kendall tried his hand on others. He also took those hitherto known only in their microscopically visible form and grew them in his

new, high-protein cultures. Every one became invisible. He filtered the invisible form germs through a porcelain filter so fine that some organic molecules cannot pass through it. Then the fluid that came through was planted in the old-fashioned germ foods again. Colonies of visible germs appeared out of the invisible. He could repeat this process as often as he liked, obtaining visible germs from invisible virus filtrates, and making the visible forms change back again by planting them in his new food form.

The following germs he lists as having been "put through their paces" from visibility to invisibility and back again: Infantile paralysis, streptococcus, scarlet fever streptococcus, one form of paratyphoid bacillus, typhoid bacillus, the staphylococcus that causes boils, the crooked germ that the late Dr. Hideyo Noguchi found in yellow fever patients, as well as the little round germ Professor Kendall himself found in his influenza cultures. He concludes that possibly all bacteria lead this Dr. Jekyll and Mr. Hyde existence.

A sensational by-product of this research is an insight into the nature of the bacteriophage, the mysterious filter-passing something that kills germs as germs kill us. By planting filtered "phage" on old-type culture media Professor Kendall obtained good growths of the germs they destroy. Bacteriophage therefore seems to be nothing but the invisible form of the germ it seems to delight in wiping out. Professor Kendall could produce "phage" from germs by planting the germs in his new medium.

The behavior of bacteria in changing from visible to invisible is peculiar. At first they lose sharpness of outline, growing fuzzy and dim under the microscope. At last there remain only tiny granules, which will pass through the fine filters, and grow back into invisible germs, or perhaps reassemble themselves again. Other granules, too large to pass through

the filter, appear none too anxious to resume full-fledged germ form, but under proper encouragement in the new medium will do so.

Germs with this changeability can be found only in the early stage of a disease, even though the patients later become sicker than ever. But certain puzzling granules have been found in the spinal fluid of such patients, and it now appears quite possible that these may be the half-transformed germs themselves on the road to invisibility.

Professor Kendall calls attention to the fact that the majority of known filterable virus bacteria, like those of the common cold, influenza and measles, enter the body through the lungs and not the digestive tract. The digestive tract is always full of decomposition products of proteins which tend to keep germs in the visible, non-filterable phase.

Although Professor Kendall's research cannot be used immediately by hospitals and clinics, there is hope that it will in the near future result in the production of curative or immunizing methods for use by physicians. In many cases identification of the microbe is a first and necessary step in the control of the disease. Smallpox, one of the earliest diseases controlled, whose germ is still unknown, is the exception rather than the rule.

Other bacteriologists besides Professor Kendall have been working on the various forms of the disease-producing bacteria. Professor Philip Hadley of the University of Michigan is one of the leaders in this type of research. In 1929 he reported to the University of Michigan Pediatric and Infectious Disease Society that he had been repeatedly successful in causing disease-producing bacteria, appearing under the microscope and in cultures in the conventional form, to undergo changes which rendered them invisible and filterable through fine-grained earthen and porcelain filters. In December, 1930, he reported to the

Society of American Bacteriologists that he and his associates had been able to make germs of cholera, typhoid fever, dysentery and diphtheria take on a filterable state of existence which he called the G-type culture. This form differs markedly in form, growth, chemical and serum reactions from the ordinary types of the germ.

The successful prevention and cure of rickets in children by the use of milk produced by cows fed irradiated feed was announced at the annual meeting of the American Medical Association at Philadelphia last June, by Dr. Alfred F. Hess, clinical Professor of Pediatrics at the University and Bellevue Hospital Medical College, New York.

During the past Winter 102 infants were given milk from a New Jersey herd of cows which received the special irradiated feed supplement. The cows were divided into four groups; one group received along with the regular ration a certain quantity of viosterol. A second group received double this amount. A third group received a certain quantity of irradiated yeast, and the fourth group double this quantity. The babies were likewise divided into four feeding groups to receive the four different kinds of milk. "The results exceeded our expectations," says Dr. Hess. "The best prevention was obtained with the milk from cows which received the greater supplement of irradiated yeast. This milk not only prevented rickets but effected cures."

Rickets is the most common nutritional disorder of infants in the temperate zones. Although it has decreased somewhat in incidence and severity in recent years, more than 50 per cent of infants suffer from this disorder to a greater or less degree. There are various remedies available for its prevention or cure, but the main criticism of all these agents has been that they require the cooperation of the mother; some also are difficult

to give, expensive or time-consuming. This new "Vitamin D" milk, when substituted for the usual milk supply, gives the infant all the anti-rachitic treatment necessary.

A new precision clock, which varies from correct time not more than one five-hundredth of a second in twenty-four hours, has been devised by Professor Max Schuler of the University of Göttingen. The most distinctive feature about Professor Schuler's clock is the addition of a very considerable mass of metal to the upper end of the pendulum, so arranged that its centre of gravity is exactly opposite the knife-edge bearing on which the pendulum is suspended. This makes for great steadiness in its swing and is the principal contributor to the clock's great accuracy. In order to prevent, as far as possible, changes in length of the pendulum, the clock is kept in a room in which the temperature is regulated, and any changes that do occur are registered on automatic apparatus. To reduce atmospheric friction to a minimum, the clock is kept within a sealed glass case filled with hydrogen, the least viscous of gases. Instead of having a face and hands, like an ordinary clock, the function of telling the time is delegated to a second clock, which is controlled electrically. This "slave clock" is controlled from the "master clock" by the most delicate and weightless of all possible levers, a beam of light. A lamp on one side of the master-clock case shines on a photoelectric cell on the other. Every time the pendulum swings it causes a momentary eclipse of the photo-cell. This causes an electric current to flow for a moment, giving the slave clock the necessary little push to keep it going. The slave clock, thus admonished to accuracy from second to second by its master, repays by closing with each swing of its pendulum a circuit which supplies a momentary electromagnetic impulse to the master-clock pendulum.

# Current History in Cartoons



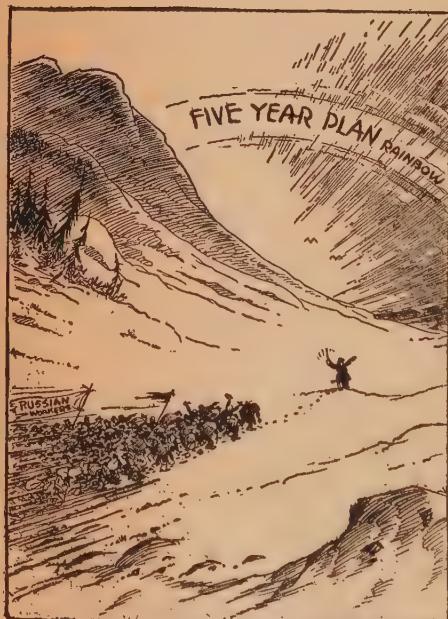
DROPPING THE CREW  
(With acknowledgments to Sir John Tenniel)

—*Brooklyn Daily Eagle*



OBSCURING THE VIEW

—Los Angeles Examiner



WHAT IF NO GOLD AT THE END?

—New York Herald Tribune



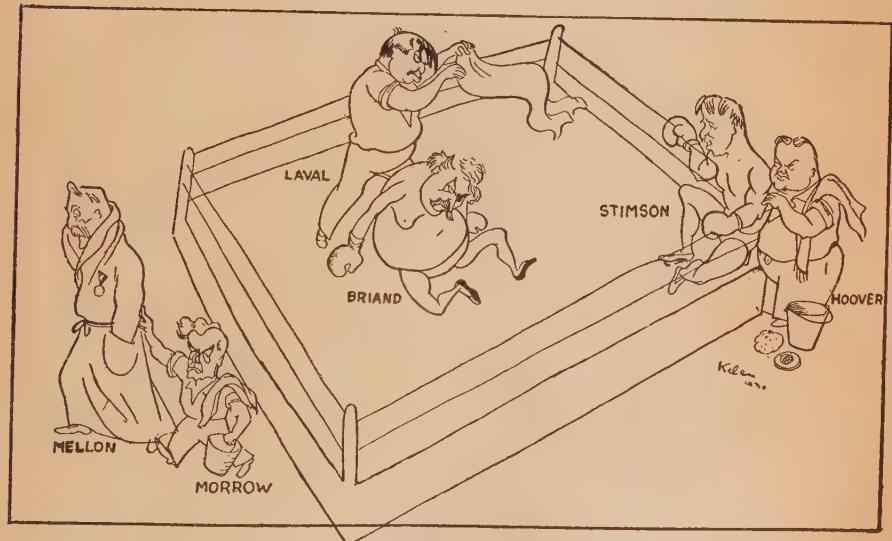
THE APPLE SERMON ON THE MOUNT

—New York World-Telegram



France: "I won't eat this soup—I won't!"

—*Kladderadatsch*, Berlin



SECOND ROUND: DISARMAMENT

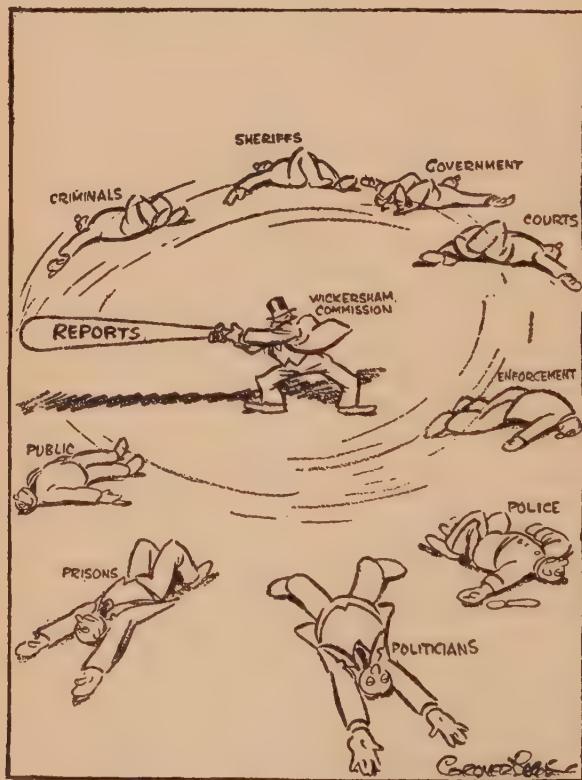
—*Nebelspalter*, Zurich



THE PEDDLER  
—Louisville Courier-Journal



JUST LAYING FOR HIM  
—Philadelphia Inquirer



SOME BATTER  
—Louisville Courier-Journal

# A Month's World History

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## The Escape From World Bankruptcy

GERMANY, and along with her to a greater or less degree the whole world, has achieved a six months' reprieve. Partly because of its own mismanagement, but more largely through the action of forces, political in character, which it could not control, the financial world was, in the middle of June, in grave danger. A general bankruptcy in Germany would have had consequences that would have affected the farmer in Iowa and the miner in West Virginia as certainly as the merchant engaged in foreign trade and the banker on Wall Street. Scattered about the country, there are German securities amounting to \$1,300,000,000, and this investment was in grave peril. Facing this emergency, Mr. Hoover acted, and the payment of war debts and reparations was included in a moratorium of a year. Then came the London Financial Conference. Doubtless there was no one of its members who was not aware that its resolutions evaded the real issue—a substantial revision of the Young Plan and of the war-debt settlements—but it is equally certain that, because of the attitude of France and the United States, any such action was impossible. The conference could do nothing more than throw the responsibility on the bankers. They, in

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their turn, have now thrown it back again.

The report of the financial committee set up by the Bank for In-

ternational Settlements, which was made on Aug. 19 and which has come to be known as the Wigggin report, and the agreements made by the parallel conference of debtor and creditor banks, constituted the bankers' reply to the politicians. They were able to provide a palliative, to postpone the inevitable for six months, but a solution was beyond their power. "We therefore conclude," the report ends, "by urging most earnestly upon all of the governments concerned that they lose no time in taking the necessary measures for bringing about such conditions as will allow financial operations to bring to Germany—and thereby to the world—sorely needed assistance." The terms of reference and the objections of the French and Belgian members did not allow the authors of the report to be more specific. The meaning is, however, sufficiently clear. Unless, during the period of six months for which the short-term credits are renewed, confidence can be re-established, enabling the floating of long-time loans, the financial structure of Germany will collapse, with consequences that no one can foresee.

The committee assembled in Basle

on Aug. 8. Of its ten members, nine were appointed by the governors of their national central banks. Albert H. Wiggin, chairman of the governing board of the Chase National Bank of New York, was "suggested" by the governor of the Federal Reserve Bank of New York. The others were Sir Walter Layton, representing Great Britain; Emile Moreau, France; Karl Melchior, Germany; Emile Francqui, Belgium; Alberto Ganaduce, Italy; M. Bindeschelder, Switzerland; Ph. de Groot, Holland; M. Rybbeck, Sweden, and M. Tanaka, Japan. Mr. Wiggin was unanimously elected as chairman.

After a detailed exposition of the German situation by Herr Melchior, the committee summoned a meeting of representatives of the debtor and creditor banks on Aug. 14. The American, Italian and Swedish banks deputized members of the Wiggin committee to act for them; but the other nations sent special delegates. During the early part of the month, in preparation for this meeting, there had been, in each country, a series of conferences of the private banks which hold the short-term paper and an informal agreement as to most of the terms of its renewal. The discussions of this committee were highly technical in character, and their decisions were incorporated in the report of the Wiggin committee, which was drafted by Sir Walter Layton.

The report was in two parts: the first discussing the immediate and further credit needs of Germany; and the second the possibility of converting a portion of the short-time credits into long-time credits. The situation in Germany, the report declares, is a phase of the world crisis, and "no permanent improvement \* \* \* can be looked for until the causes for the general depression have been removed. On the other hand, \* \* \* until the situation in Germany improves, there can be no general recovery from the existing state of depression."

During the years 1924 to 1930, Ger-

many borrowed abroad \$4,331,600,000. With this sum, plus \$714,000,000 received for services abroad, she paid interest on her commercial debt, amounting to \$595,000,000, added to her holding of gold and of foreign devisen, \$499,800,000, paid reparations amounting to \$2,451,400,000, and for a surplus of imports over exports amounting to \$1,499,400,000. In every year except 1930, imports have exceeded exports; but even in 1930, the favorable balance was only sufficient to meet two-thirds of her foreign obligations. At the end of 1930, the total foreign investments in Germany amounted to \$6,069,000,000, and her own investments abroad to \$2,308,600,000, so that her net foreign debt was \$3,760,400,000. Fifty-four per cent of her foreign investments were of short term. No exact figures representing the proportion of her foreign debt, which is in short-term paper, are available, but an analysis of returns from the leading German banks at the end of March, 1931, shows that, out of a total of \$1,341,368,000, there was due to the United States 37.1 per cent, 20.4 per cent to Great Britain, 13.9 per cent to Switzerland, 9.7 per cent to Holland, 6.5 per cent to France, 2.2 per cent to Sweden and 10.2 per cent to other countries. Owing to her inability, during the past few years, to negotiate long-term loans, Germany has been compelled to rely on short-term loans for working capital. The present crisis was caused by the fact that, because of political uncertainty, there was withdrawn, during the first seven months of 1931, \$690,200,000 of these loans, plus an outward flow of other capital, amounting in total to \$833,000,000. Obviously a continuance of this movement of capital would very soon wreck German finance and industry. To stem the tide, the foreign bankers, through their committee, have agreed to continue outstanding credits, amounting to \$1,190,000,000, for a period of six months.

As regards the replacement of the

liquid capital already withdrawn, it is evident that, until it can be done, the Reichsbank will be under extreme strain. Neither the further sale of foreign assets nor a drastic reduction of imports can be recommended as relief measures. A further increase in short-time credits would only make more difficult the situation six months hence. Long-term loans and the conversion of some part of the short-time obligations, furnish the only ultimate solution.

The second part of the Wiggin report discusses the possibility of the negotiation of such loans. The general economic situation in Germany is regarded as by no means unfavorable, and under normal conditions there should be an export surplus. While there is reason to criticize some features of German public financing during the past ten years, "the present government has given proof of its determination, in difficult circumstances, to put them on a sound basis."

These three factors would be favorable to a long-term loan, were it not for the political risk involved: "Until relations between Germany and the other European powers are firmly established on the basis of sympathetic cooperation and mutual confidence, and an important source of internal political difficulty is thereby removed, there can be no assurance of continued and peaceful economic progress." Until foreign investors can be assured that the government debt is not to be snowballed, no loans can be made. Before the end of the six months' respite, something must be done. "The body of the world's commerce—whose vitality was already low—has suffered severe shock in one of its chief members. This has resulted in partial paralysis, which can be cured only by restoring the free circulation of money and goods. We believe that this can be accomplished, but only if the governments of the world will realize the responsibility which rests on them and will take prompt measures to re-establish confidence. Their

action alone can restore it." They should give the world "assurance that international political relations are re-established on the basis of mutual confidence which is the *sine qua non* of economic recovery, and that the international payments to be made by Germany will not be such as to imperil the maintenance of her financial stability." They must cease to "pursue two contradictory policies in permitting the development of an international financial system which involves the annual payment of large sums by debtor to creditor countries, and at the same time putting obstacles in the way of the free movement of goods. \* \* \* Financial remedies alone will be powerless to restore the world's economic prosperity until there is a radical change in the policy of obstruction and international commerce is allowed to resume its normal development." The report concluded with the paragraph quoted earlier in this article.

Blocking the road leading to normal economic conditions stand France and the United States, but there is evidence that both are coming to realize the necessity for a change in policy. At the end of July France had an unfavorable trade balance of \$400,000,000, and this is one of the reasons why one hears more and more of the necessity for a rapprochement with Germany. France, however, still insists that aid shall be given on her own terms. One of the political guarantees which she demanded, the abandonment of the plan for an Austro-German tariff union, she secured in advance of the decision of the World Court on Sept. 5 by a vote of 8 to 7, that the proposed treaty was not in accord with the agreement made by Austria when in 1922 she secured financial assistance through the League. Two days earlier both Austria and Germany before the European Union Commission announced that they had abandoned the project. What further demands France will make is not yet evident; but that she

will seek somehow to buttress the framework of the Versailles treaty is quite certain. She would probably be willing to give up the conditional annuities under the Young Plan in exchange for equivalent concessions respecting the American debt.

The crux of the situation really lies in Washington. Although our government is legally not a party to the Young Plan, it would seem that it must take the lead if it is to be revised. While our officials will not admit that anything of the sort is being considered, they no longer show resentment when the matter is mentioned; and there are rumors that they are discussing the matter with Congressional leaders. Meanwhile at Geneva the Council and Assembly of the League, as well as the European Union Commission, are in session. Although the earlier meetings were devoted to matters of routine and detail, some concrete plan may yet emerge.

Inevitably all these questions are linked with disarmament, for, with that burden lifted, financial and political problems would be much easier

to solve. Preparations for the conference in February are actively going on, though there are constantly rumors regarding postponement. The most important event of the month was the statement by Joseph Paul-Boncour, chairman of the Foreign Affairs Committee of the French Chamber of Deputies, in which he proposed that "when the disarmament conference agrees on the actual figures of the defense strength of each country, these forces should cease to be forces left entirely at the disposition of the countries, and that there should be an international mortgage on them." In other words, they would become a police force under the direction of the League. This semi-official supplement to the statement, contained in the French note of July 10, reported in September *CURRENT HISTORY*, was very coldly received in most of the European capitals, as well as in Washington. Whether justly or not, it is seen as another attempt on the part of France to justify her large army and to exert an undue influence on the political future of Europe.

## The League of Nations

THE sixty-fourth session of the Council of the League of Nations opened at Geneva on Sept. 1, with Alejandro Lerroux of Spain as president. At the time of the previous session Señor Lerroux was an exile from Spain living in Paris, and Quinones de Leon was Spain's representative on the Council. Now Lerroux is the representative and de Leon is in exile.

The outstanding event of the Council meeting was perhaps the news that France is preparing to give up her mandate over Syria. The Council approved the recommendations of the permanent mandates commission as to the conditions under which a man-

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dated area might become an independent member of the League and asked the commission to report in January as to how far Iraq and Syria have progressed in these respects.

The twelfth Assembly of the League was called to order by Señor Lerroux on Sept. 7. Contrary to custom, M. Titulescu of Rumania was re-elected president over Count Apponyi of Hungary. This is the first time that any one has been president of the Assembly twice and the first time that there has been a contest for the position. The first days of the Assembly were spent in speeches by the various delegates on the important affairs of the day.

The fifty-one nations represented at the Assembly voted unanimously to invite Mexico to become a member of the League, and the invitation was accepted. Viscount Cecil, leader of the British delegation, apologizing to Mexico for joining President Wilson twelve years ago in leaving that nation out of the League, said: "I was in part, I suppose, guilty of it. It therefore gives me particular pleasure to take part in remedying an omission which should never have been made." Last year Mexico was represented at the League by an official observer.

#### EUROPEAN UNION COMMISSION

The first body to start the Fall Geneva meetings was the coordination committee of the Commission for European Union. What is happening to the European Union is well expressed by Clarence Streit in *The New York Times* of Sept. 6. "In 1930 all Briand asks is a committee of inquiry on European union. In other words, a decent orthodox Geneva burial for the idea. Well, since he merely wants to save his face now, let the old man have his committee. The scene continues, but the time is September, 1931. The Commission of Inquiry on European Union has done nearly everything save inquire. It has been founding pan-European banks, disposing of Europe's surplus wheat, developing inter-European preferential tariffs, planning European public works to relieve European unemployment, fathering a dozen committees. It has, in short, become not a vehicle of inquiry into, but the medium of united European effort. In doing so it has become known, for short, as the European Union Commission, with already a significant popular tendency to shorten the name still further by dropping the word 'commission.' Which is one way of arriving at European Union."

Meeting on Aug. 31, the committee spent most of its time considering the reports of the subcommittee of eco-

nomic experts and the subcommittee on European credits. Both these reports were adopted and passed on to the commission itself. Although a little more detailed in form, these reports are in principle only a renewal of the findings of the World Economic Conference of 1927 to the effect that world prosperity depends upon trade between nations. Specifically these committees report that Europe should have a real customs union, providing a single European market, and that facilities must be provided for long-term credits through some such medium as the Francqui rediscount bank (see CURRENT HISTORY for August, page 746).

Then came the meeting of the Commission for European Union. The report of the coordination committee was accepted and transmitted to the Assembly of the League. The centre of the stage was occupied by Litvinov with his pact for economic non-aggression. He won a minor diplomatic victory over Great Britain in inducing the commission to recommend to the Assembly that a special committee be appointed at once to study and report on the plan. Great Britain was in favor of the more deliberate policy of referring the plan to the League Economic Committee. But in a larger sense the British conviction that world politics must centre in the League is being justified by the rapprochement between the Soviet Union and the League. To see Litvinov cooperating with the other delegates and approving plans by which his ideas for economic non-aggression will be worked out through the machinery of the League is to realize the imponderable but unmistakable increase in cooperation between sovietism and capitalism.

In announcing the abandonment of the proposed Austro-German customs union Foreign Minister Curtius of Germany made a strong plea to the nations to bring about a real tariff union of even wider scope. This plea was strongly reinforced in one of the

early sessions of the Assembly itself by M. Pusta of Estonia, presumably inspired by France.

#### DISARMAMENT

The reports from the various countries giving the details of their armaments are being received by the League Secretariat. These reports are to form the basis for inserting actual figures in the disarmament draft convention at the conference next February. Comparing the figures for Great Britain and the United States, we have the following:

	Great Britain (Omitting In- dia and the Dominions).	United States.
Army personnel..	144,522	126,842
Navy personnel..	96,042	95,717
Air force person- nel .....	30,118	27,324
Number of air- planes .....	1,434	1,752
Navy tonnage....	1,250,247	1,251,840
Budget .....	\$526,000,000	\$725,750,000
Pensions .....	\$109,000,000	\$714,000,000

Signor Grandi, the Italian Foreign Minister, in his first speech at a League Assembly, made a strong ap-

peal for an armaments holiday on the part of all nations to last through the sittings of the disarmament conference. Other diplomats seemed to feel this impracticable, but all voiced their hopes (and their fears) for the conference and its results.

#### RATIFICATIONS

The Netherlands was the eighteenth nation to sign the agricultural mortgage credit convention. This means that 28,000,000 francs are available to start the funds of the bank. The minimum required by the convention was 25,000,000. On Sept. 9 a committee meeting was accordingly held at Geneva to bring the bank into operation.

Iraq has ratified the opium convention of 1925, the Netherlands the convention on arbitral awards, Poland those on export of hides, skins and bones, and two International Labor Organization conventions on seamen. Czechoslovakia has ratified the International Relief Union treaty and France the I. L. O. convention on workmen's compensation.

## America's Embarrassment of Riches

LIKE the proverbial cat which choked on a saucer of cream, the United States during the past month has been too well off for comfort. The most startling expression of this superabundance was the announcement by the Federal Reserve Board on Sept. 3 that the monetary gold stock here amounted to \$5,000,000,000, nearly half the world's entire supply. The classic economic theory which holds that the presence of too much gold in a country will automatically bring about its own retreat as prices rise and an unfavorable trade balance is created has not been borne out, although some experts predict eventual relief from the glut of the metal.

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The prospect of the introduction of wheat, cotton and petroleum in increased amounts into the already saturated markets was another cause for alarm during the past few weeks. According to a forecast made on Aug. 10 by the Department of Agriculture, the production of wheat in the United States during 1931 will be 3½ per cent larger than that in 1930. An increase in the crop of corn, buckwheat and potatoes and a reduction in oats, barley and rye were predicted in the same statement. Market prices of the grains did not react similarly to the announcement, however; September wheat continued to drop, reaching 45 cents on Aug. 31, as was not altogether sur-

prising. September rye also followed the general drift of trading, and on Aug. 25 sold at 31½ cents—the same commodity that in March, 1918, had sold for \$2.95.

The great wheat holdings of the Federal Farm Board, said to be between 200,000,000 and 250,000,000 bushels, have been somewhat reduced. Germany's proposal of Aug. 8 to buy on credit about 10 per cent of the grain received little further publicity. On Aug. 21, however, the exchange of 25,000,000 bushels of the board's wheat for 1,050,000 bags of Brazilian coffee was agreed upon. The coffee will be shipped here by the Brazilian Government, stored until late in 1932, then sold in monthly allotments at the prevailing market price. The wheat will be sold by Brazil to its local millers. By this arrangement each country is relieved of a portion of an uncomfortable surplus of its peculiar product, but particular benefit to the United States is seen in that this sale of wheat need not seriously affect the established American export market, since Brazil normally buys little of the grain here. Our coffee, on the other hand, has always been largely a Brazilian product.

China also made inquiries concerning the purchase of Farm Board wheat for flood relief in the Yangtse Valley. Cordial reply by the authorities in Washington was met by a request for better terms, and a final agreement was announced on Sept. 4, by which the Nationalist Government at Nanking purchased about 15,000,000 bushels, paying in its securities due in 1934, 1935 and 1936. Delivery to Pacific ports began immediately, and the Farm Board was for the second time within a few weeks enabled to unload a portion of its huge stabilization surplus, this time without displacing wheat sold by other countries, as the Chinese in the stricken areas have never been consumers of the grain. The wheat is to command the current price on the day of shipping, and of course will be sold at a loss, for the

board paid from 80 cents to \$1.20 a bushel for its holdings.

The question of a sale of wheat to Germany entered into the news again on Sept. 8 when it was announced by Berlin that 7,200,000 bushels had been bought from the Farm Board on extended credit terms.

The Farm Board's rejection of Germany's offer for a portion of its surplus cotton did not put an end to public interest in the predicament of America's second most valuable agricultural product. On Aug. 10, following the government's prediction of a bumper crop for 1931, cotton futures plunged to the lowest prices on the New York Exchange since 1905, declining at one time 17 per cent in value. In an attempt to establish stability, the Farm Board two days later asked the Governors of fourteen cotton-producing States to urge the plowing-under of every third row of the growing crop, thereby destroying nearly 4,000,000 bales of the estimated production. In return for this action on the part of the planters, the board would promise to sell none of its stock of surplus cotton before July 31, 1932. A storm of protest and derision greeted this proposal as "silly," "a waste of time and money," "so much nonsense." Governor Huey P. Long of Louisiana countered with the suggestion that the interested States prohibit the "raising of a single bale of cotton during the year 1932. \*\*\* If we will stop cotton raising altogether, we will afford a market for what we now have, and next year we will still have all that the world can use." Another scheme proposed that the Farm Board buy 8,000,000 bales at 12 cents a pound, or almost twice the prevailing price, in exchange for pledges from farmers not to plant next year. This, however, was flatly refused by Carl Williams, acting chairman of the board, who said: "Stabilization is valuable in the face of temporary or seasonal surplus, but it is not worth anything in the face of continued over-production. The remedy is a reduction

of production." As if in keeping with this sentiment, Governor Long's plan became a law in Louisiana on Aug. 29, contingent, however, upon the adoption of similar measures by States growing three-fourths of the nation's cotton crop.

Following Governor Murray's shutdown of the Oklahoma City oil field on Aug. 4 in order to prevent further decrease in the price of the commodity, Governor Sterling of Texas enforced a curtailment of production in the great East Texas field on Aug. 18, and four days later the Kansas Public Service Commission shut down the Ritz-Canton pool in McPherson County. As a result, the nation's daily output decreased considerably, and petroleum climbed toward the \$1 a barrel set by the Governors as the price of resumed normal well activity. The East Texas field was reopened on Sept. 5 on a limited-output basis, which was expected to total about 400,000 barrels daily as compared to a former figure of between 750,000 and 1,400,000 barrels. Kansas and Oklahoma continued to uphold their respective curtailments, also, and the national daily average gross production early in September was nearly 25 per cent under that for the corresponding period in 1930.

#### RECENT GOVERNMENT LOANS

The treasury offering of \$800,000,000 in 3 per cent bonds of 1951-55 was over-subscribed by a narrow margin, Secretary Mellon announced on Sept. 8. The \$300,000,000 in 1½ per cent treasury certificates of one-year maturity, offered simultaneously, were however, heavily over-subscribed. Of the total, about \$634,000,000 will be used to retire maturing certificates of indebtedness, and the remainder will be applied to current government expenses.

#### UNEMPLOYMENT RELIEF

It was announced on Aug. 19 that Walter S. Gifford, president of the American Telephone and Telegraph Company, had been appointed by

President Hoover to organize the nation to meet the unemployment crisis during the coming Winter. Mr. Gifford, in drawing up his plans, stated that he was thoroughly in accord with the views of the President that relief is essentially the responsibility of the States and local communities, and announced that a nation-wide appeal for funds for local relief bureaus would be made. These local relief bureaus are to be coordinated under the control of a committee of prominent citizens appointed by Mr. Gifford.

The agitation for direct government assistance to the unemployed was still abroad, however. Governor Pinchot of Pennsylvania summed up his attitude by stating on Aug. 13: "After private charity has done its best, after the localities have given all they can, why keep the eyes of the nation fixed on the depression throughout the coming Winter by vain efforts to raise more money in dribs and drabs from innumerable sources when the government can raise it in a week by a single loan?"

Unemployment throughout the nation increased 2 per cent during July, according to the Bureau of Labor Statistics. This was attributed in part by the Federal Employment Service to seasonal influences. It has been unofficially estimated that nearly 10,000,000 persons are out of work, an increase of some 200 per cent over the figure for April, 1930. Meanwhile, the National Relief Committee, as well as private and municipal organizations, conferred upon the measures to be adopted to meet the situation.

#### LABOR AT HOOVER DAM

When the government announced the beginning of work on its huge project at Black Canyon, Nevada, thousands of workmen applied for jobs, despite the facts that atmospheric conditions at the dam site were notoriously trying and that inevitably many lives would be lost during the course of construction. The workers were to be housed at Boulder City, nine miles from the dam itself. Pend-

ing the completion of this settlement, however, temporary quarters were put up in Black Canyon. It has been reported that these are intolerable for long because of the heat—a minimum average of 98 degrees for thirty days this Summer—and because of the inadequacy of the temporary sanitary facilities.

When some thirty workmen on the project were displaced by machines and given other jobs at less pay, the entire force of nearly 1,500 men went on a "sympathy strike." Their demands for improved general living conditions, a minimum wage of \$5 daily and the return of all men involved to their jobs without discrimination were flatly refused, and on Aug. 9 the strikers were ordered to leave the workings immediately. Since that date little has been accomplished toward the healing of the breach. Work at the dam is at a standstill and many men have left the locality altogether. The executive council of the American Federation of Labor protested to Secretary of Labor Doak that it was "a crime against humanity" to ask men to work under such conditions at Boulder Dam "for a mere pittance," just enough to provide them with food and a minimum of clothing. As a matter of fact, the actual employers of the Hoover Dam labor are Six Companies, Inc., under contract to the government, and responsibility would seem to rest with them, not with Washington.

#### INCREASED RAIL RATES

The Interstate Commerce Commission has been hearing a series of objections to the proposed 15 per cent increase in existing freight rates. Committees representing many phases of agriculture, industry and commerce have protested in Washington that the increase would aggravate unemployment, decrease business for traveling salesmen and do more harm than good in the long run. The commission planned to begin an investi-

gation on Sept. 15 to determine the efficiency of present railroad management and to discover to what extent competition has forced the carriers to provide transportation on less than a paying basis. The inescapable fact in the entire controversy is that the net operating incomes of the first sixty-five railroads to report earnings for July, 1931, were over 30 per cent less than in July, 1930, and that railroad stocks and bonds as a whole have been sinking to the lowest price levels in many years.

#### LIVING COSTS

The Bureau of Labor Statistics gave out on Aug. 19 an interesting comparison of wholesale prices in July, 1931, with those in 1926. The purchasing power of the dollar has become \$1,429 for all commodities, \$2,041 in grains, \$1,121 in hides and leather products, \$1,718 in fuel and lighting materials, \$3,300 in petroleum products, \$7,576 in rubber, \$1,136 in house-furnishing goods, and \$1,368 in foods. The index number for all commodities in July, 1931, was 70, as compared to 84 a year before and 104.3 in July, 1925.

#### FINAL WICKERSHAM REPORTS

The last of the reports of the Wickersham commission, appointed by President Hoover in 1929, was made public on Aug. 23. It stated that criminal activity in this country was not to be attributed in a major measure to the foreign-born, since statistics showed the native-born more frequently culpable. The twelfth report, published on Aug. 21, was a consideration of the annual cost of crime to the American people. No final figure was attempted, although the mere "representative" estimates aggregated more than \$1,119,000,000. On Aug. 10 the commission presented the "naked, ugly facts" of nation-wide police brutality in the treatment of suspected criminals. This was followed by a report on the causes of crime, made

public on Aug. 16, which ventured no final opinion by the commission, but instead gave analyses of the situation made by recognized experts.

The fourteen reports, comprising over 4,000 printed pages, represent a careful inquiry into the attitude of the public toward the law as well as an examination of the legal machine itself. Observance and enforcement of prohibition, deportation of aliens, treatment of the child criminal, conditions of penal institutions and of the Federal courts, were, in addition to those already mentioned, among the matters examined. It will be interesting to observe the effects upon public opinion and legislation of this unprecedented series of investigations. One immediate result was seen in the announcement on Aug. 26 that the Department of Justice would investigate alleged "third-degree" police methods in the District of Columbia. Five Washington policemen were indicted on Sept. 4 on allegations that

they had beaten prisoners in their efforts to obtain confessions.

#### ANNUAL REPORT ON PORTO RICO

Theodore Roosevelt submitted his annual report as Governor of Porto Rico to the Secretary of War early in September. Most striking was the fact that Porto Rico was able to present an actual surplus for the year 1930-31; for the first time in seventeen years the budget was balanced. During the calendar year 1930 the death rate fell to 18.6, the lowest in the history of the island. (That of continental United States is about 12.) The export trade, despite the depression, was practically undiminished, and the balance of trade became more favorable by 36 per cent. The Governor pointed out, however, that Porto Rican conditions are still unsatisfactory, that suffering is still great, and that much must be done to bring the lot of the Porto Rican citizen to the level of that of his fellow-citizens in the north.

## Cuban Revolution Fails

THE long-predicted attempt to bring about a revolution in Cuba for the overthrow of the government of President Gerardo Machado occurred and failed during August. Following the declaration of a state of siege in the provinces of Havana and Pinar del Rio and the arrest of seventeen prominent Cubans on Aug. 9, President Machado on Aug. 10, under authority granted that day by Congress in extraordinary session, extended martial law throughout the island. The same day, in a skirmish between government troops and rebels in Havana province, five rebels were killed and one was wounded.

Former President Mario G. Menocal assumed leadership of the rebellion and on Aug. 9 issued a manifesto in

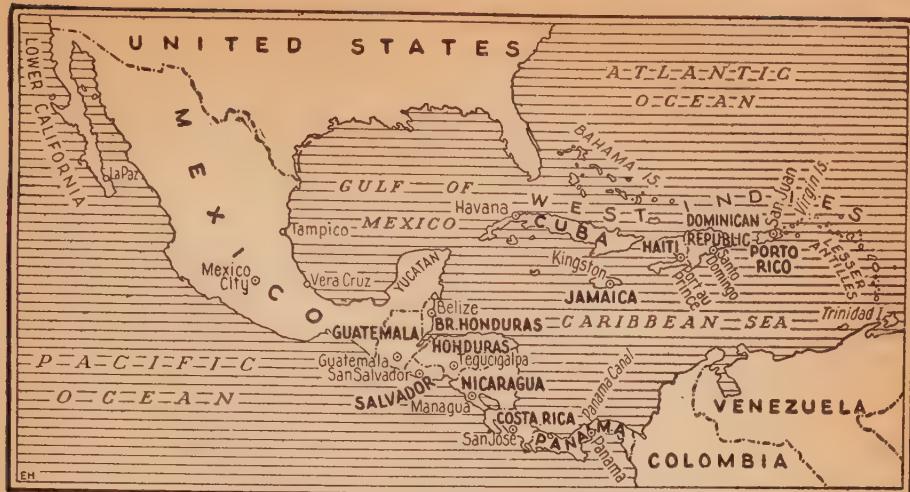
By CHARLES W. HACKETT

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which he declared that "the present dangerous situation which threatens all of us \* \* \* has come about through

the fault of an illegal government, which stops at nothing. Since this weighs on all of us, we are under the obligation of removing this burden. We must strike with force, with force of such magnitude and rapidity as can only be made possible by the cooperation of the entire public."

Twenty-two encounters were reported throughout Cuba between rebels and government forces, which consisted of 12,000 well-trained men and 12,000 reserves, in a four-day period following the declaration of martial law. On Aug. 12 *The New York Times* correspondent in Havana reported that despite the strictest



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censorship, news from the interior indicated that "the entire island is a boiling pot with thousands already under arms against the government." Casualties during the preceding four days were placed at thirty-six dead and fifty-three wounded. President Machado went in person to the battle front on Aug. 13; at the same time Congress ceased to function and all retired officers and men and reserves were called to the colors.

A turn in favor of the government came on Aug. 14, when ex-President Menocal and Colonel Carlos Mendieta, leaders of the rebellion, and a large number of insurgents surrendered to government forces on the bank of the Rio Verde in the province of Pinar del Rio. General Menocal, Colonel Mendieta and nine other rebels were imprisoned in Cabanas Fortress at Havana on Aug. 16.

Despite the loss to the rebel cause through the capture of their leaders, the hardest fighting of the revolution was reported in Pinar del Rio and Santa Clara provinces between Aug. 15 and 17. By Aug. 18 it was claimed that strategic control of Santa Clara province had been taken from President Machado by the successful concentration of strong rebel forces on

two sides of his troops there. On Aug. 17 an expedition landed at Jibara, in Oriente province, and began operations in the adjacent mountainous country. The size of the expeditionary force was not known, but it was reported to have included both American and Cuban Negroes. The biggest battle of the revolution was fought at Jibara on Aug. 19. While the cruiser *Patria* blocked the entrance of the small harbor there, the forces of the government, between 3,000 and 4,000 men, trapped the rebels, numbering several hundred, in a tunnel after having driven them from the town with heavy casualties. *The New York Times* correspondent reported on Aug. 21 that a dozen or more of the expeditionary force had been killed, twenty or more wounded, some captured, and that the remainder were in flight through the rough country around Jibara.

The Jibara disaster broke the morale of the rebellion. Ambassador Guggenheim, in a report to Washington on Aug. 21, predicted that the Cuban revolution would soon collapse. Dr. Ricardo Herrera, President Machado's secretary, estimated on Aug. 22 that the rebellion had cost the insurgents many lives and at least

\$1,000,000. On the same day President Machado in a sense marked the end of the revolt by returning to Havana from Santa Clara province, where he had personally directed the government offensive. He turned his attention once more to the economic and political problems of Cuba and urged constitutional reforms which would give the opposition a chance to form a legally constituted party and would provide for Presidential elections in 1932, even though this would end his own term in 1933 instead of 1935. No such constitutional changes were scheduled for discussion when the House of Representatives resumed its sessions on Aug. 31, however, despite the President's insistence.

Fresh outbreaks in Oriente province caused President Machado to declare a state of war there on Aug. 24. The month closed with sporadic outbreaks of a minor character throughout Cuba, but the effects of the capture of the revolutionary leaders, followed by the rebel disaster at Jibara, could not be overcome. On Aug. 31 Dr. Méndez Penate, the last remaining leader of the revolution, surrendered in Santa Clara province. An official statement on Aug. 27 gave the number of political prisoners in Cuba as 2,000, the majority of whom were in the provinces. At Cabanas Fortress 196 were imprisoned.

During these troubles the United States Government, following the precedent recently established in its relations with other Latin-American countries, maintained a policy of strict neutrality. When Ambassador Guggenheim informed the Department of State on Aug. 10 of the seriousness of the rebellion, Acting Secretary Castle told press correspondents in Washington that the United States had no intention of sending forces to Cuba. This was a reiteration of the policy announced by Secretary of State Stimson on Oct. 3, 1930, that, while recognizing the American obligations to Cuba under the Platt amendment, the policy of the Hoover Administration

was to interpret it as calling for intervention in Cuba only in case of a virtual state of anarchy.

Later, on Aug. 17, just as the rebellion in Cuba was at its height, the White House characterized the report that plans were being considered for intervention as a "midsummer's dream." That same day Harold N. Denny, staff correspondent for *The New York Times*, discussing the Cuban policy of the United States and the much debated part played in Cuba by Ambassador Guggenheim, wrote from Havana: "Persons familiar with the situation assert that, despite strong pressure from both sides to intervene one way or the other, he [Ambassador Guggenheim] has adhered to the new Caribbean policy developed under President Hoover and Secretary of State Stimson to abstain from interfering in the internal affairs of Latin-American States."

Depression in the foreign trade of Cuba has been severe. Imports from the United States during the first quarter of 1931 were valued at \$15,828,000, as compared with \$28,326,000 in the corresponding period of 1930, and \$95,327,000 in the same period in 1920.

Investments of American capital in Cuba were recently estimated by the United States Department of Agriculture at \$1,138,957,000. Of that sum, about \$918,957,000 comprises investments in commercial, industrial and agricultural enterprises, and about \$220,000,000 is represented in American holdings of governmental indebtedness and short-term credits.

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#### THE MEXICAN CONGRESS IN SESSION

The outstanding accomplishment of the special session of the Mexican Congress which terminated late in August, in time for the convening of the regular session, included the passage of a new monetary law, which placed Mexico on a silver basis; a tax law; a law making Mexico City, through incorporation of other mu-

nicipalities, a city of more than 1,000,000 inhabitants, and a labor law. The schedule of proposed legislation during the regular session includes a new agrarian law, a law to fix the responsibility of officials and punish official corruption, a civil service law and a bill which may lead to Mexico's denunciation of the international patent and trade-mark treaty.

At the convening of the Thirty-fifth Congress, on Sept. 1, a report by the Treasury Department was distributed to Senators and Deputies. This promised that the proposed resumption of payment on Mexico's foreign debt would be submitted to Congress for discussion at the present session, that diligent efforts would be made to solve the agrarian and international claims problems and that an issue of paper money would be resorted to only if the metallic money now in circulation proved inadequate.

Foreign Secretary Estrada reported that Mexico had been obliged to be "intensely active" in protecting Mexicans and their property in the United States and that Mexicans are sometimes "injured by the abusive application of immigration laws and sometimes by violence, as in the death of some of our compatriots." Acknowledgment was made that American authorities had given courteous attention to Mexico's complaints in these cases. The Foreign Secretary's report also stated that United States immigration authorities had obliged many Mexicans to leave the country on flimsy pretexts, but that the majority of the 91,972 who had returned to Mexico between July, 1930, and June, 1931, came of their own free will and were aided by the Mexican Government to return.

The projected national labor law, which had been previously passed by the Chamber of Deputies, was approved by the Mexican Senate on Aug. 13 by a vote of 40 to 1. The bill as finally sent to President Ortiz Rubio, who signed it on Aug. 18, had been bitterly opposed by both capital

and labor while before Congress. It gives labor certain privileges which employers brand as ruinous to industry but which, in the opinion of labor itself, are not completely desirable. The bill upholds the collective labor contract, obliging employers to bargain directly with unions; it recognizes the right to strike and the right of strikers to close a business pending the settlement of an issue; it obliges employers to provide hygienic living quarters for their employes, and provides that 80 per cent of employers of all industrial and commercial concerns must be Mexicans.

In a statement made public on Aug. 17 the Association of Commercial and Industrial Employers reviewed its fight against the labor bill, which it charged was "enacted by a single class of citizens for their exclusive benefit," and announced that "it assumes no responsibility for the disastrous effects which are sure to follow the application of such a law." The association added that "it considers that its mission is not ended, as it believes the Federal Constitution is above all laws and, therefore, above the labor law, and it will continue in its efforts to make the application of that law comply with constitutional provisions."

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#### CHURCH AND STATE CONFLICT IN MEXICO

The Church and State conflict in Vera Cruz continued during August and, in addition, inspired disorders in other parts of Mexico. Following a protest against recent anti-Catholic developments in Vera Cruz made to President Ortiz Rubio and the National Congress by Archbishop Ruiz Flores, the Apostolic Delegate, on July 29, Governor Alberto Tejeda of Vera Cruz on Aug. 1 sent a telegram caustic in its wording to the Archbishop. In it he characterized the Catholic Church as "the enemy of all work tending toward human redemption" and made the following sensational charge: "Your labors have re-

sulted in an attempt by a fanatic incited by you to murder me by shooting me from behind." He then declared that his government "will continue to comply with the revolutionary program within the precepts of law and conscience and the interests of our people." On Aug. 10 the dismissal of all teachers in the primary and higher schools of the State of Vera Cruz who professed the Catholic religion was decreed by the State Director General of Education. The burning of a village church in the State of Vera Cruz, the explosion of bombs in two churches and before two private residences in the city and the burning of the principal altar, paintings and other valuable objects in La Pastora Church, also in the city of Vera Cruz, were reported during the week of Aug. 10 to Aug. 17 as outstanding incidents in what was characterized as a "state of terror." The residence of the Vicar General of the Vera Cruz diocese was badly damaged by a bomb on Aug. 23. The resignations of all Catholic teachers of the Vera Cruz Preparatory College, which was closed by faculty action in protest against a raid by the police, who searched the students for arms, was demanded by the Vera Cruz State Government on Aug. 29.

With reference to the appeals of Catholics for federal intervention in the Church and State conflict in Vera Cruz, President Ortiz Rubio in his annual message to Congress on Sept. 1 stated that the Federal Government intended to respect the sovereignty of the individual States and considered the State Legislature of Vera Cruz to have been completely within its rights in passing its religious laws.

Church and State disorders were not confined to the State of Vera Cruz. Charging him with permitting violations of the State religious laws and with having "close ties with the clergy," the Federal Congress on Aug. 7 removed from office Acting Governor José Ramón Valdes of the State of Durango. Congressmen from Du-

rango declared that, whereas the State laws limit the number of priests who may function in the State of Durango to 25, 47 were in the capital alone and about 200 in the entire State. These charges were denied and full support of Governor Valdes was announced by the Masonic Lodge of Durango on Aug. 17 in messages sent to all other Masonic lodges in Mexico. At Guadalajara, on Aug. 25, two priests were detained after police and firemen had dispersed a mob which had formed in front of Pilar Church and had attempted to stage a public religious demonstration. The explosion of a bomb in La Profesa Church in the heart of Mexico City on Aug. 31 did considerable damage but hurt none of the six persons present at the time.

#### THE MEXICAN BUDGET

Finance Minister Montes de Oca announced on Aug. 1 that the government was faced with a 32,000,000-peso (\$16,000,000 at par) deficit for the first five months of this year. It was estimated on Aug. 20 that the new tax rates which became effective on Aug. 1 would yield the government 20,000,000 pesos (\$10,000,000 at par). At the same time the Finance Minister announced that Mexico's public expenditures had been cut 60,000,000 pesos this year, but that, in spite of these retrenchments, the ultimate deficit on total appropriations of 300,000,000 pesos probably would reach 80,000,000 pesos (\$40,000,000 at par).

The economic situation was aggravated by the closing on Aug. 3 of the Banco Credito Español, capitalized at 4,000,000 pesos, which, in turn, was followed by a heavy run by depositors on the Banco Nacional de Mexico. Conditions were improved on Aug. 4, when the Bank of Mexico paid 2.75 pesos for one dollar, as compared with 3.75 on the previous day.

#### CHINESE NATIONALS EVICTED FROM MEXICO

Following reports that the Governor of Sonora had given Chinese resi-

dents until Sept. 5 to leave that State, Samuel C. Young, Chinese Minister in Mexico City, entered a vigorous protest. Foreign Minister Genaro Estrada announced on Aug. 29 that the protest had been transmitted to the State authorities of Sonora and Sinaloa. He further announced that the Federal Government "will give guarantees to Chinese residents" in Mexico. Estimates place the number of Chinese likely to be affected by the decree at more than 3,000, many of whom are merchants with well-established businesses. Reports from Mazatlán, Sinaloa, on Aug. 30 stated that an exodus of Chinese from Sonora had begun. A band of 180 Chinese evicted from Sonora and in transit through the United States to China reached San Francisco, Cal., on Aug. 4. The same day the Mexican Foreign Office characterized as "unwarranted, because of its imprudence," the action of the Chinese Legation in Washington in requesting American good offices in behalf of Chinese nationals in Mexico.

President Ortiz Rubio in a telegram sent on Sept. 6 to Paul Linebarger, president of the American Friends of China Society in Washington, stated that certain States "have only exacted from Chinese merchants and manufacturers a compliance with the laws of our country, especially as regards the employment of a certain percentage of Mexicans in Chinese business enterprises. Those Chinese citizens who did not care to accept the conditions of the law \* \* \* have only been prevented from continuing their business activity, and many of them voluntarily have changed their residences from one State to another, where they are not molested. Therefore, I repeat that the Chinese have not been driven from our country."

A pistol battle occurred in the Mexican Chamber of Deputies on Aug. 25 during a heated debate over the governorship of the State of Jalisco. Sixty shots were fired and Deputy Ruiz of Jalisco was killed. Two other

Deputies and one spectator were wounded. The following day four Deputies from Jalisco, all supporters of Governor Ignacio de la Mora, were expelled from the majority bloc of the Chamber. This action followed the presentation of charges that the shooting affray of the preceding night had been the result of an ambuscade of the Governor's friends.

In protest against the alleged usurpation by Governor Andres Ortiz of Chihuahua of the management of the Revolutionary party in that State for his own purposes, the entire Chihuahua representation in Congress, consisting of two Senators and four Deputies, resigned from the Chihuahua Revolutionary party on Sept. 1.

The opening of gambling houses in Mexican towns across the Rio Grande from Texas towns caused the United States Treasury Department on Aug. 13 to order the international bridges at Eagle Pass, Brownsville, Hidalgo, Laredo, and Del Rio, Texas, closed "between 9 at night and 8 the next morning," effective on Aug. 15. This action inspired vigorous protests from business men in towns on both sides of the Rio Grande. In retaliation, Mexican Chambers of Commerce early in September were clamoring for a total suspension of traffic between Mexican and American border towns.

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#### AMERICAN WITHDRAWAL FROM HAITI

The ending of American control in Haiti was expedited through an agreement, effective on Oct. 1, reached by United States Minister Dana G. Munro and Haitian officials at Port-au-Prince on Aug. 5. American financial receivership and marines will remain, but probably for only two more years, despite the fact that the treaty of 1915 calls for the marines to remain until 1936. Their early withdrawal is contingent upon the Haitian National Guard's being brought to a state of efficiency which will insure

public order. That the United States Government is anxious to withdraw the marines as soon as possible was stated by Acting Secretary of State Castle on Aug. 6.

#### UNITED STATES MARINES IN NICARAGUA

The presence of United States marines in Nicaragua and their participation in the next presidential election were commended by Nicaraguan Finance Minister Barbareno in a communication on Aug. 12 to Charles Thompson, Latin American Secretary of the Fellowship of Reconciliation. Minister Barbareno said: "The stay of the marines in Nicaragua is highly beneficial. They have maintained an unalterable and effective peace for many years. In these [political] contests \* \* \* the presence of a neutral power to maintain order and prevent these sterile and useless fights from going too far is necessary. \* \* \* The

establishment of the National Guard here is one of the greatest favors for which we are indebted to the American Government."

Several engagements between Nicaraguan National Guardsmen and insurgents were reported during August. A patrol had contact with 200 insurgents at Carrizal, near Saiz, on Aug. 1; no casualties were reported on either side. A group of insurgents was routed on Aug. 15 at Las Cuchillas, one being killed and another wounded. Two were killed and one was wounded by guardsmen in an engagement in the Department of Nueva Segovia on Aug. 28. The most successful encounter with insurgents in the past six months was reported by Colonel Leroy Hunt of the Marine Corps to have taken place in the same department on Aug. 29. The leader, Agapito Altamirano, was killed and two other insurgents were wounded. There were no casualties among the guardsmen.

## Ecuador's President Overthrown

**A**NOTHER government overthrown in South America, this time in Ecuador; an unsuccessful revolt, involving nearly all the vessels in the Chilean Navy, put down by the Air Corps through the use of bombs; and a reversion to trade by barter on a wholesale scale by the governments of two great nations, Brazil and the United States (see page 107 of this magazine)—these were the outstanding events in South America during the month.

The words used by a writer in the *Washington Post* who, referring to the overturn in Ecuador, said that President Ayora had "been convicted by army opinion of being guilty of the world depression," express in concise and striking fashion a state of mind that has played an important part in

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the South American revolutions of 1930 and 1931—revolutions that have affected Bolivia, Peru, Argentina, Brazil, Chile and Ecuador, leaving only Colombia, Paraguay, Uruguay and Venezuela unaffected by the political manifestations of current economic maladies.

Dr. Isidro Ayora on Aug. 24 resigned the Presidency of Ecuador, having previously accepted the resignations of his entire Cabinet and appointed Colonel Luis Larrea Alba, assistant chief of staff of the army, as Minister of Gobierno (Interior) and Prime Minister, with authority to appoint his own Cabinet. Under the constitution Colonel Larrea Alba became Provisional President when Dr. Ayora's resignation was accepted (almost unanimously) by Congress. Dr.



SOUTH AMERICA

Ayora's action undoubtedly forestalled serious disorders, and the method of succession of the Provisional President preserved constitutional forms. Colonel Larrea Alba appointed a new Cabinet on Aug. 27, retaining temporarily the portfolios of Interior and Finance and appointing civilians to all the other posts except that of Minister of War. On Sept. 3 new Presidential elections were called for Oct. 20 and 21. In his first message to Congress on Sept. 5, the Provisional President pledged maintenance of the constitutional guarantees during the elections and proposed a program of increased public works and a new agrarian policy.

One of the first acts of Congress under the new régime was the cancellation on Sept. 2 of the match monopoly held by the Swedish Match Company under a contract signed in 1928. The monopoly has been extremely unpopular, and opposition to its continuance accounts in part for President Ayora's loss of popular and parliamentary support. Its cancellation

will involve the repayment to the International Match Corporation, a subsidiary of the Swedish Match Company, one of the Kreuger enterprises, of a loan of \$2,000,000 (10,000,000 sures), which was a part consideration for the 25-year monopoly.

The change in government was not unaccompanied by disorders, beginning with the student strike which has come to be a traditional concomitant of political disturbances in South America. Early in August students at the University of Guayaquil struck in protest against the appointment of a professor to whom they objected, following this by seizure of the university and an amplification of their demands to include equal representation of students and faculty on the governing boards, freedom from attendance requirements, abolition of entrance examinations and appointment of professors by competitive examination. The strike spread to the secondary schools, causing the closing by the government of all educational institutions in Guayaquil except the primary schools. The government wisely avoided armed conflict with the students, and as late as Aug. 22 Congress refused to intervene, on the ground that it would be "contrary to the dignity of Congress to deal with rebellious youths."

A barracks revolt led by the Chimborazo Battalion when its commander, Major Dávila, was transferred following refusal of some officers to sign a manifesto supporting the government, precipitated the fall of President Ayora. No bloodshed attended the change in government, but in connection with the cancellation of the match monopoly on Sept. 2 serious rioting occurred in Quito, when a mob reported to have been led by two Communist Senators attempted to sack the home of the attorney for the match company and the clinic of ex-President Ayora, who after a day in the American Legation had resumed his private practice as a physician. According to reports seven persons were

killed and many wounded during these riots. On Sept. 6 rioting, again led by Communists, occurred at the town of Milagro, resulting in three being killed. A similar episode in the vicinity of Cayambe in mid-August was apparently due to agitation by one of the two Senators already mentioned, Senator Maldonado. Communist agitators have been reported as active among the Ecuadorean Indians for some time. In his message to Congress on Aug. 12, the former President attributed Indian uprisings to these agitators, but spectators in the galleries cried that the disorders were "due to hunger, not communism." It is obvious that the poverty, want and ignorance of some of these Indians provides a fertile field for agitators.

The ex-President's message reported the foreign debt on July 2 as amounting to approximately \$23,000,000, and expressed willingness to discuss resumption of amortization. Ecuador formerly produced one-fifth of the world's cocoa supply, and the country's difficulties began long before the world depression, when this crop was attacked by a disease called "moliniña," or "witch-broom," which in ten years has made serious inroads on the industry. As was the case with tin in Bolivia, coffee in Brazil, and copper and nitrates in Chile, the disaster to cocoa in Ecuador has been a determining factor in the fate of the country.

Dr. Ayora was undoubtedly glad to retire to private life and to resume his distinguished place in his profession, from which he was called to the Presidency in 1926 following the coup d'état which overthrew the Córdova administration. Provisional President at first, he was elected constitutional President on March 27, 1929. In September, 1930, he resigned the Presidency, but Congress refused to accept his resignation and he was induced to withdraw it.

#### THE CHILEAN NAVAL MUTINY

The new provisional government of Chile met its severest test and ap-

parently demonstrated its determination that the forces of anarchy are not to control Chilean destinies when on Sept. 6 it ordered the loyal air force to bombard the Chilean fleet, which had been in the hands of mutineers for nearly a week. A smashing attack by a force of from 80 to 100 airplanes on warships of a somewhat antiquated type, poorly protected against aerial attack and inadequately supplied with anti-aircraft guns, soon brought the sailors to their senses. By the following day all the vessels were in the hands of their officers and skeleton crews, while some 2,700 mutineers had been landed and taken into custody. Two days before, loyal troops had attacked and captured the naval base at Talalhuano after a bloody engagement in which heavy losses have been reported. Trial by mixed army and naval boards was in prospect for the ringleaders in the revolt when this was written. Thus ended an anxious week of mingled tragedy, melodrama and opera bouffe which has had few parallels in recent history.

Last month's chronicle ended with the triumph of the revolution against the Ibáñez régime and the assumption of the provisional Presidency by Juan Esteban Montero, a distinguished lawyer who had never held public office until he accepted a Cabinet post during the last days of the Ibáñez Government. On Aug. 11 four parties, the Liberals, Conservatives, Radicals and United Civil Republicans, agreed to make a joint campaign behind a single candidate in opposition to the Left parties, which were divided between support of former President Arturo Alessandri, nominated by the Democrats, and Manuel Hidalgo, nominated by the Communists and supported by the Socialists and to some extent by the Chilean labor unions. The parties of the Right, with the cordial support of the professional classes, the intellectuals and the university students, united upon Señor Montero, who had previously declined to become a candidate. A convention

of lawyers, doctors, dentists, engineers and other professional men, which met in Santiago on Aug. 15, voted to urge Señor Montero to become their candidate by an overwhelming majority of 2,200 out of 2,221 votes. There can be no doubt of the provisional President's sincerity in not wishing to become a candidate and of the real sacrifice entailed in his abandonment of a quiet private life for the uncertainties of politics. Finally he agreed, reluctantly, and in the face of a statement by his wife that for their own sakes she hoped he would be defeated. On Aug. 17 he resigned as Acting President, and when his resignation was rejected by Congress, he took leave of absence until after the elections on Oct. 4. Manuel Trucco, president of the Radical party and former director of State railways, who had been serving as Minister of the Interior, automatically became Acting President.

The electoral campaign was well under way when the outbreak of the naval mutiny on Sept. 1 focussed the attention of Chileans upon that threat to the life of their government. In the crisis Señor Alessandri, who had announced on his return to Chile from exile that he would not be a candidate—a decision afterwards recalled— withdrew his candidacy, leaving the field to Señor Montero, representing the upper and middle classes and the Right parties, and Señor Hidalgo, representing the Left and extremist elements. Both candidates were reported as attending conferences with the Acting President during the naval crisis, with Montero supporting the actions of the government, while Hidalgo declared his sympathy with the mutineers. Whether the enthusiasm of the people at large when the mutiny was quelled—a point concerning which all available reports seem to agree—will carry Señor Montero overwhelmingly into office remains to be seen. It would appear that his opponent, having announced his sympathy with the rebels, cannot fail to suffer a loss

of prestige in their inglorious defeat. The cause of the naval revolt was a cut in pay of 30 per cent decreed in August for all government employes receiving more than 250 pesos a month. In negotiations with the mutinous sailors, before resorting to direct action, the government apparently offered to rescind this action, and Pedro Blanquier, the Finance Minister, resigned on demand of the sailors. Even this concession did not bring them to acceptance of the government's proposals. Incomplete reports as to what actually happened on the ships seem to indicate that a few ringleaders were able to impose their will on the majority of the sailors. The vessels were seized at daybreak on Sept. 1 when small groups of sailors overpowered the officers in their cabins on the largest vessel, the Almirante La Torre, and then disarmed loyal sailors and placed them under lock and key. Small groups then seized the arsenals of other ships, preventing loyal sailors from arming themselves. This explanation seems to be borne out by the rather aimless sailing in and out of the port of Oquimbo in which the fleet indulged, and by its failure to strike an effective blow against the government. The mutineers probably had neither the experience or intelligence necessary for adequate executive handling of the ships, nor sufficient support among the crews to justify any decisive action, once the government decided to adopt drastic measures.

Alarmist reports published in the United States that the Chilean Navy was in the hands of Communists and that the mutineers might try to establish a Soviet government in Chile were probably without justification. Chile has been suffering from serious unemployment, and undoubtedly thousands of her people are facing want, but no one who knows the characteristics of the Chileans has any real fears that they will succumb to Communistic propaganda. Unscrupulous agitators may have taken advantage

of an explicable feeling of resentment against the government over the wage cut, but it is doubtful if any considerable number of the sailors had anything in mind but the restoration of their former pay.

In passing, it is of interest to note that almost exactly forty years ago a naval revolt in support of the "Congresistas" against the "Gobernistas," or supporters of President Balmaceda, resulted in the triumph of the naval revolt and the crushing defeat and suicide of the President. This civil war established the principle that Congress, not the President, must be supreme in Chile—a principle by the way that was completely abrogated by the Ibáñez régime. Since the civil war of 1891 the naval forces have kept aloof from politics.

Former President Ibáñez is living quietly in exile in Buenos Aires. On Aug. 15 three high army officers were retired on charges of having conspired to restore him to power. They were General Blanche, former Commander-in-Chief of the army, General Urcullu, former chief of staff, and General Vieux, former commander of the carabiniers or national police. Ironically enough, General Bravo, who attempted unsuccessfully to start a revolt against President Ibáñez at Concepción a year ago, was appointed Minister of War on the same day.

Investigations and inquiries into the acts of the fallen régime are already under way. Charges of graft and extravagance are common, though General Ibáñez himself does not seem to be involved. He is, however, accused of violating the Constitution, particularly by deportations of Deputies in 1927. A Congressional committee was appointed on Aug. 19 to consider these charges. A similar committee was established on Aug. 11 to consider charges formulated against former Prime Minister Carlos Castro Ruiz in connection with the formation of the great nitrate combination "Cosach," and on Aug. 30 it was announced that an investigation into its affairs would

be conducted. On Aug. 22 the government appointed a commission of ten members, including two former Justices of the Supreme Court, to investigate all the actions of the Ibáñez administration between July, 1927, and July, 1931. On Sept. 1 the ex-President sent a long written reply to charges against him, which was read in the Chamber of Deputies.

#### BOUNDARY QUESTIONS

One of the achievements toward which President Ayora of Ecuador had been working apparently played little part either in saving or overturning his government. On Aug. 18 Colombia and Ecuador renewed diplomatic relations, which had been broken off in 1925 following ratification by Colombia of a treaty with Peru whereby several thousand square miles of territory in the Amazon valley formerly ceded by Ecuador to Colombia were ceded to Peru. It was Ecuador's position that the original cession provided that Colombia should never dispose of the territory except by recession to Ecuador. President Olaya Herrera of Colombia made renewal of relations with Ecuador a cardinal point in his inaugural message.

Efforts of Argentina to compose the differences between Bolivia and Paraguay over the Gran Chaco, which were brought to a crisis by statements of their respective representatives in Washington, were apparently making good progress when on Sept. 8 reports were received of a border clash between Bolivian and Paraguayan troops in the Chaco, in which one or more soldiers had been killed on each side. A communiqué from La Paz reported that the outbreak occurred when twelve Paraguayan cavalrymen attacked an outpost of Fortin Murguia. It was a similar clash that almost led to hostilities in December, 1929. As at that time, reports of massing of troops by one or the other country have been printed in their newspapers, but it was hoped that the efforts of

the five neutral powers (Colombia, Cuba, Mexico, Uruguay and the United States) to secure the adherence of the two countries to a "non-aggression pact" would prevent any untoward incident. In their efforts to bring about a settlement, the five neutral governments have had the cordial support of Argentina and Brazil. The reported intention of President Getulio Vargas of Brazil to visit Paraguay is thought to indicate an effort on the part of Brazil to facilitate such a settlement.

#### LATIN-AMERICAN FINANCES

To the growing list of defaults of interest payments and sinking fund requirements by South American countries must be added the complete moratorium declared by Chile on Aug. 12. This action means that the plan announced on July 15 to deposit debt service payments in Chilean banks pending resumption of specific payments has had to be abandoned. Interest due on Sept. 1 was defaulted, thereby breaking a record of more than a century, during which Chile had met every obligation of this nature.

It was announced on Aug. 30 that Brazil would suspend payment of sinking fund requirements, by arrangement with the bankers, on all Federal loans except the last two funding loans and the coffee loan of 1922. Interest payments will continue to be met, and the sums called for to meet sinking fund services will be deposited in Brazilian banks pending improvement in exchange conditions. This is the same plan that Chile proposed in July.

Other South American governments are having serious difficulties in meeting their obligations, but have manfully met them all thus far. This is true especially of Colombia, Uruguay, and Argentina. The last named be-

gan shipping gold to New York to meet the \$50,000,000 loan negotiated for one year and due on Oct. 1, but in New York arrangements were being discussed to obviate the necessity of shipping the full amount in gold.

#### ELECTIONS IN ARGENTINA AND PERU

It was announced on Aug. 28 that Presidential elections in Argentina would be held on Nov. 8, the date previously announced for the Congressional elections, and that the President elected would serve for the full six-year term. President Uriburu's decree made no mention of the date when the government would be turned over to the new President, and it was reported that he planned to remain in office until next July, in order to watch over the passage of his proposed constitutional reforms. The announcement came only a little over a week before the celebration of the first anniversary of the overthrow of the Irigoyen Government, which took place on Sept. 6.

The elections in Peru are to be held on Oct. 11. To the list of candidates previously recorded here must be added the names of Rafael Larco Herrera, who served for a time as Minister of Foreign Affairs under the present junta; Pedro Ruiz Bravo, and former President Benavides. On Sept. 4 it was reported that Señor Benavides might be placed in office by a military revolt, color being given to the rumor by the government's action in disarming the Seventh Regiment and confining it to its barracks in Lima. The observance of the anniversary of the fall of ex-President Leguía on Aug. 22 took on the aspect of a popular ovation for Colonel Sánchez Cerro, who led the revolt against him, and who is now campaigning for the Presidency.

# Britain's Emergency Budget

WITH the formation of the new British Government (as described on pages 1-10 of this magazine) an accomplished fact, interest concentrated on the reassembling of Parliament, fixed for Sept. 8, and the measures that would be adopted to cope with the nation's financial difficulties. The two weeks between the coming into office of Mr. MacDonald's third Ministry and the meeting of Parliament were devoted to the preparation of a supplementary budget, and it was found that the report of Sir George May's committee was remarkably devoid of appreciation for the legal, contractual and administrative difficulties involved in its easy, slashing economy proposals. The great problem was the balancing of economies with new taxation in order to equalize the national burden, and the government was embarrassed by the abandonment of a large number of local public works projects. The City, also, had to be reassured by promises that there would be no tax on fixed interest-bearing securities and that any conversion scheme would be voluntary.

Meanwhile, signs of national agitation were few, chiefly because it has been difficult for the people to take in what seemed to be a sudden violent change in British fortunes. In London there were public demonstrations against the government, in Oxford Street and Hyde Park on Sept. 6, in Parliament Square on Sept. 8, and in front of Bow Street Police Court on Sept. 9. Unemployment rose to 2,762,219 on Aug. 31, being 701,775 above the same date in 1930.

The Trades Union Congress opened its annual meeting at Bristol on Sept. 7, and realizing quite well that it was the chief force behind the Parliamentary Opposition, attacked the British

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and international bankers, proposed nationalization of banking, and reiterated its preference for heavier tax-

ation in place of economies. Its executive committee had decided on Sept. 2 that a tariff was "worthy of consideration," and such a proposal would be a useful Parliamentary weapon because it would almost certainly split off the Liberals from the coalition.

The King and the royal family, anxious "personally to participate in the movement for reduction of the national expenditure," gave the nation a dramatic lead just before the opening of Parliament by contributing a reduction of \$250,000 in the already straitened civil list. The Prince of Wales, who is not on the civil list, contributed \$50,000. King George and his family thus acted in accordance with their previous insistence on sharing the national burden.

When Parliament met on Sept. 8 Prime Minister MacDonald's first step was to invite a vote of confidence. He made no specific statements as to his program, except that his own salary would be reduced by 20 per cent. He recapitulated the events of July 15 to Aug. 23 and said that it seemed likely that international readjustments must follow Britain's domestic reforms. He denied any dictation from the bankers, but admitted their constant advice. Mr. Henderson, for the Opposition, avoided direct charges against the bankers, but said that the Labor Cabinet had agreed on economies of \$280,000,000, "but then were told the next day that was not enough and that \$150,000,000 more was needed, the bulk of which would have to be taken from unemployment insurance. Not even to avert this crisis would I consent to that." In general he declined to agree with the Prime Minister as to the seriousness of the



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crisis. Mr. Baldwin explained that the question of a tariff had been postponed until after the emergency legislation.

The vote of confidence in the new government was carried by 309 to 250. The Conservatives and Liberals were solid in supporting the government, while only twelve Laborites voted with them. Seven of the twelve were members of the government, the other five being Major A. J. Church, Holford Knight, James A. Lovat-Fraser, Sir Ernest Bennett and S. T. Rossbotham. Three Laborites abstained from voting. Four followers of Sir Oswald Mosley voted with the Opposition, as did Oliver Baldwin, son of the Conservative leader. The significance of the 250 votes against the government was that the Labor party had come intact through the crisis. Its full Parliamentary strength after the last general election, in May, 1929, was 287 out of 615 members.

For the purpose of preventing obstruction and delay in the House of Commons the government on Sept. 9 introduced a triple machinery to cut short or eliminate discussion. In the first place, Mr. MacDonald presented a general bill empowering the government to introduce undescribed specific economies by order-in-council instead of by Parliamentary bill. This was a wartime device. Then it was an-

nounced that the general bill would be subjected to the closure. Its first reading allowed the Opposition only two hours for criticism and then passed by 306 to 212 in an atmosphere which reflected the powerlessness of Labor to hold up the government. Finally, Mr. Baldwin stated that Parliament would not consider private members' bills. By use of this machinery the emergency legislation was expected to be passed in a week.

Then, on Sept. 10, Mr. Snowden submitted the supplementary budget—the second budget of the year—whereby the estimated deficit for the current fiscal year of \$373,395,000 is converted into a surplus of \$7,605,000 and the estimated deficit for the year 1932-33 of \$850,000,000 into a surplus of \$7,500,000. These results are to be obtained partly by new taxation and partly by economies which are to be put into effect by the emergency method of orders-in-council instead of by Parliamentary vote.

The increases in direct and indirect taxation for the current year, which ends March 31, will provide \$202,500,000 in new revenue and \$407,500,000 for the full year 1932-33. The greater part of these additions is to come from increases in the income tax. The basic standard rate has been raised to 25 per cent. The surtax rate has been increased by 10 per cent in

all brackets, and the scope of the tax has been widened by bringing in smaller incomes and decreasing the various exemptions. In the next six months there will thus be an additional \$145,000,000 from the income tax, and for the next full year an estimated increase of \$287,500,000.

Other increases in revenue will come from an added levy on beer, tobacco and gasoline and a new entertainment tax. Beer will cost 2 cents more a pint, tobacco a cent more an ounce and gasoline 4 cents more a gallon. The tax on all forms of entertainment is increased to 16 2-3 per cent. The estimated additional income from these increases this year is \$57,500,000 and for the next year \$120,000,000. Also a saving on the debt amortization of \$68,500,000 is provided for this year and \$100,000,000 next year.

Economies in expenditures on the country's social services, government salaries and in the army, navy and air forces are estimated to effect total savings for the remainder of this year amounting to \$110,000,000 and for the next full year \$350,160,000, as shown in the following table:

Reduction of unemployment insurance benefits.....	\$129,000,000
Increase of unemployment insurance premiums.....	50,000,000
Reductions in the salaries of Cabinet Ministers, members of Parliament, judges, civil servants and members of the defense forces.....	22,670,000
Reduction in the cost of the defense services other than pay reductions .....	25,000,000
Education retrenchment .....	51,500,000
Police pay reductions.....	2,500,000
Health services retrenchment.....	6,250,000
Road fund reduction.....	39,325,000
Reduction in grants for jobs to make work .....	2,500,000
Savings in the agriculture and forestry departments, university grants, Empire Marketing Board, colonial development and miscellaneous items .....	21,415,000
Total for the year 1932-33.....	\$350,160,000
More than half this retrenchment	

will be effected through reduction of the unemployment insurance payments—the "dole"—and increase of unemployment insurance premiums. This is based on the assumption that the number of Great Britain's unemployed will reach 3,000,000 next year. There is to be no more borrowing for either unemployment insurance or road building. If it is impossible for them to pay their way, the deficit will have to be made up out of the Exchequer.

As illustrations of how the new burdens fall on different classes, it is pointed out that a man out of work who has been living on an unemployment insurance benefit of \$4.25 a week will have to subsist on \$3.81. Those who receive small wages and salaries and who have never paid income tax before must pay now, and except for slight exemptions, varying under different conditions, every receiver of an income up to \$10,000 must pay a 25 per cent tax to the Exchequer. Above \$10,000 every income will have 10 per cent added.

A policeman who now earns \$23 a week will receive \$1.25 less. School teachers' pay has been reduced 15 per cent. The Prime Minister's salary is decreased by \$5,000 annually and the pay of other Ministers, members of Parliament, judges and civil servants in all government departments is reduced in proportion.

When Mr. Snowden concluded the speech in which he announced the government's proposals, he was cheered and applauded by all his former opponents in the Conservative and Liberal parties and jeered by the Labor members on the Opposition benches.

William Graham, who was president of the Board of Trade in the fallen Labor Government, was chosen to reply for the Opposition. This indicated that he is regarded as the leading financial expert in Arthur Henderson's shadow Cabinet and will be Chancellor of the Exchequer if the Labor party wins the right in the next election to form a new govern-

ment. Mr. Graham's speech was perfunctory because he was not yet ready to reveal the course which the Labor party will follow in opposition to the new government.

In spite of all that has been said even at this writing the situation in Great Britain is not clear, although the immediate measures of retrenchment have a substantial governmental majority to insure their passage through Parliament. Inasmuch as the Liberals are presumably still free-traders, the question of a tariff has been shelved. But Mr. Snowden has not convincingly explained why he took Mr. MacDonald with him over to the camp of the City from the inner citadel of what they had insisted was a Socialist party. Nor has Mr. Henderson succeeded in crystallizing a policy for the Labor Party which will obviously comprehend its Right and Left elements. Thus far his party has been more radical and outspoken than he. The present session of Parliament must operate to bring out the opposed elements in crisper outline, before many general judgments can be made.

Some significance attaches to the general tone with which the fall of the Labor government was received in foreign countries. The chief interest of the United States being financial, satisfaction has been expressed here over the steps being taken to restore the pound and to avoid disturbing delays. In France political considerations have influenced the general welcome to a predominantly Conservative government, for the Conservatives have traditionally sympathized with French policy. In Berlin the outlook is primarily economic and there fears were expressed of a cut in British production costs and increased competition in export markets. At Geneva the true internationalists have expressed little save regret, for ever since the beginning of the League of Nations, Labor could be depended upon for active measures to increase the tranquillity of the world. Now

emphasis on British detachment from continental affairs is again expected.

#### *VIOLENCE AND DISORDER IN IRELAND*

Both in the Irish Free State and in Northern Ireland economic stress has been recently accompanied by public violence. The industrial north and the agricultural south alike have been hard hit by the depression and emigration to the United States is no longer an alternative. Large numbers have emigrated to Great Britain, where the additional burden on the unemployment insurance fund has not been welcomed.

In the Irish Free State there has been marked recrudescence of "political" crimes and of the terrorization of juries. It is known that a good deal of illegal drilling of the Irish Republican Army has been going on. The movement is obscure because it is critical not only of the Cosgrave government, but of de Valera's Fianna Fail as well. Fianna Fail has tended to shade off into republicanism and its speakers in August reaffirmed their opposition to the oath of allegiance and to the land annuities owed to Great Britain. It has been generally held that the active republican minority has set out to capitalize unemployment by recruiting a force to discredit the Cosgrave administration.

The violence which grew out of the total Irish situation occurred between Aug. 12 and Aug. 18 on the border. Ulster Orangemen announced their intention of celebrating the relief of Londonderry at Cootehill in the Free State. The republicans barricaded the roads and railroads and prevented the meeting, which was held at Aughnacloy (also in the Free State) instead. The Ancient Order of Hibernians planned a huge gathering at Armagh in Northern Ireland and the Orangemen managed to prevent all but 12,000 from attending. The police on both sides of the border behaved ad-

mirably, and active fighting had died away everywhere by Aug. 18.

#### CANADIAN PRIME MINISTER'S DICTATORIAL POWERS

*The Canadian Forum* (Toronto) has drawn attention to an extraordinary legislative experiment in Canada, which was almost ignored in the crowded closing days of Parliament though Senator Dandurand criticized it in the Senate. A bill "to provide employment, farm relief and preserve peace, order and good government" has conferred on the government practically unlimited powers of action and expenditure until March 1, 1932. By means of orders-in-council, Mr. Bennett has dictatorial powers congenial to his own temperament, to govern Canada as he sees fit. Canada employed the same procedure from 1914 on to meet the war emergency. The first order-in-council was issued on Aug. 18. It was a moderate document, which envisaged the promotion of federal, provincial and municipal public works, chiefly highway construction.

The agricultural situation in Canada's drought-stricken West has continued to be the most pressing problem of the day. The crop of Fall wheat was 10 per cent above 1930, but Spring wheat was only 54 per cent of the long-run average. The carry-over on July 31 was well above 1929 and 1930. The price of wheat fell close to 50 cents, but remained about 4 cents above Chicago, and the farmers were in receipt of an additional 5 cents a bushel in federal subsidy. A broad statistical investigation has found that the average cost of production in the three prairie Provinces was 75 cents a bushel.

The wheat pools have naturally received the close attention of the federal and provincial governments. Their central selling agency has withdrawn from activity except to sell its carry-over, while the three provincial pools have assumed the status of pri-

vate trading organizations with only enough provincial supervision to safeguard the \$25,000,000 lent by the Provinces. The federal government has announced that it, too, will keep in close touch with the pool operations. The present initial payment to pool members is 35 cents a bushel.

Echoes of the Beauharnois scandal continued to be heard during the month. Mackenzie King, leader of the Opposition, failed to secure from Prime Minister Bennett the establishment of a royal commission to investigate party funds for the last three elections. The Liberal party has unquestionably suffered from its relation to two national scandals in five years and would like to demonstrate that it is not the only recipient of contributions from interested corporations. Mr. Bennett has made it clear that his Conservative government does not contemplate public development either of the power or the navigation projects at Beauharnois, but is prepared to use its legislative power to secure their completion.

The Liberal government of Prince Edward Island was turned out of office by the Conservatives on Aug. 6. No sharp issues emerged in the election, but the odium of Beauharnois was said to have had an effect. On the other hand, on Aug. 24, Premier L. A. Taschereau of Quebec not only maintained the thirty-four-year-old Liberal government in power, but increased its hold from 69 out of 85 seats to 79 out of 90.

This is now the only Liberal government in Canada. The Liberal victory has been held to connote maintenance of Quebec's determination to protect provincial interests in the proposed St. Lawrence waterway development. Premier Taschereau's somewhat spectacular opponent, Camillien Houde, Mayor of Montreal, was defeated in two constituencies, thus ending his recent comet-like emergence as a Conservative "hope" in Quebec.

The Canadian balance of trade has

shown improvement over 1930-31, when for the year ending March 31, it was adverse by \$90,000,000. In June and July it was favorable by over \$2,000,000 in spite of the decline in prices of wheat and base metals. The national credit received favorable confirmation on Sept. 9 when \$25,000,000 Government-guaranteed railway bonds were sold in Canada and the United States at prices to yield about 4.6 per cent. Canadian exchange has been about  $\frac{1}{2}$  cent below par, but hopes have been raised by the remarkable increase in gold production. In 1930 Canada passed the United States to take second place in the world to the Union of South Africa, and during the first half of 1931 the production of gold in Ontario increased by 20 per cent.

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#### NEWFOUNDLAND'S FINANCIAL DIFFICULTIES

On Aug. 10 a circumstantial despatch revived the story that Newfoundland was prepared to sell Labrador for \$110,000,000, this being the amount of the total bonded national indebtedness plus \$20,000,000. Once again the story was denied, although Sir Richard Squires's idea of a ninety-nine-year lease was kept open. Newfoundland has as yet been unable to secure on favorable terms the \$8,000,000 loan authorized by the Legislature. The Government has initiated an economy campaign to reduce expenditures by \$1,000,000, and is bringing out Sir Percy Thompson from the British Treasury to conduct a six-months' inquiry preparatory to a unified financial plan. Meanwhile the Prime Minister and two members of his government were to meet New York bankers again about the loan during the next few weeks.

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#### RETRENCHMENT IN AUSTRALIA

The month of August in Australia was devoted to the grim task of putting the Melbourne Plan of economy into operation. On July 31 Mr. Scul-

lin, Prime Minister of the Commonwealth, made a somewhat querulous speech about the trading banks, complaining that they had not made it clear to the country that they would participate actively in the conversion and interest reduction proposals. August revealed that his apprehensions were unnecessary.

In the first place the banks renewed the whole treasury bill issue of \$110,000,000 at 4 instead of 6 per cent on Aug. 2. Then, when the conversion operation began, on Aug. 10, the banks and large financial institutions took the lead in complete acceptance of the lowered rate. On closing day, Aug. 31, it was announced that \$2,150,000,000 out of a total of \$2,780,000,000 had been converted, with further late applications still to come in. Finally, on Sept. 3, when the Premiers calculated that the Commonwealth and State deficits for 1931 would amount to \$90,000,000, the banks promised to carry \$80,000,000 and the Premiers agreed to cut \$10,000,000 off the deficits by economies.

The Premiers' conference, which reassembled on Aug. 10, has acquired some semi-permanent qualities which promise well so long as the emergency produces united majority opinion. It agreed on certain basic principles for the internal development of the country, with the understanding that public funds would be rationed out only to enterprises calculated to be efficient in strengthening Australia and relieving unemployment. It also set up a supervisory committee to which the Commonwealth and State budgets were to be submitted to determine their accordance with the Melbourne Plan. The Federal Loan Council now conditions its grants by the state of governmental budgets. In effect the recent Commonwealth and State legislation brought it about that for sixty years it will be possible to vary the terms of public borrowing in Australia only by the unanimous action of the Commonwealth and State Parlia-

ments. The country was heartened by learning that its tariff and its depreciated exchange had produced a favorable balance of trade for the year ending June 30. Imports were \$302,500,000 and exports \$510,000,000 (including \$65,000,000 in gold).

Even the State of New South Wales and Mr. Lang, its Premier, conformed to the altered temper of August. The last wild gesture was the stoppage of public salaries on Aug. 5, but by Aug. 8 the government had come to terms with the Federal Loan Council. The government assumed its duty of interest payments and guaranteed a 20 per cent reduction in expenditures in return for approval of treasury bills to meet its July requirements. On Aug. 28 it resumed interest payments on its overseas debt and on Sept. 7 the State Savings Bank reopened after having been closed since April 23.

The executive of the Australian Labor Party on Aug. 30 passed a resolution condemning the Melbourne Plan, but admitting that it "must be accepted in the circumstances."

#### *THE INDIAN ENIGMA.*

With the natural exception of the government, most of the actors on the political stage in India have seemed to lose sight of the great issues involved and to have become unduly interested in details. As early as May of this year there was exhibited a tendency towards vacillation and obsession with secondary affairs which it is to be hoped reached its climax in August. On Aug. 2 Gandhi was apparently prepared to go to the Round Table Conference in London; on Aug. 9 he confessed indecision; two days later he announced his conditions; on Aug. 13 he decided not to go; he began to weaken next day; and on Aug. 26 he decided to go just in time to catch a steamer leaving Bombay three days later. (See article on Gandhi, by Syud Hossain, on pages 73-76 of this issue.)

Presumably one can ignore all the pap which Gandhi fed to the journalists about his diet, his dress, the

transportation of his goats and so on, but even with that out of the way no very convincing single explanation can be given of what the quarrel between the Congress Party and the government was really about. Both sides have published their correspondence without making the issues clearer.

The complaints of the Congress Party were that the government had broken the Delhi truce, in general by using coercion to exact land taxes, by condoning an excessive number of evictions by landlords and by taking advantage of vagueness of language in the truce respecting picketing. Gandhi himself had for four months been using the continuance of Hindu-Moslem strife as his chief reason for not leaving India.

The Viceroy of India and the Governors of Bombay and the United Provinces took up the general charges first, explaining the special forbearance they had exercised under the truce, and finally succeeded in eliciting a long list of particular charges. They were able almost completely to demolish them, for they seem to have been somewhat carelessly drawn up. The odd fact remains that the Congress party yielded on Aug. 27 without modifying the government's position except by a promise to conduct an inquiry into tax collections in Gandhi's own part of the country. The government had insisted that the conditions of the truce could only be carried out by the ordinary administrative machinery. Gandhi had first demanded an implementing of the truce, then an impartial committee to "arbitrate" alleged abuses, then a single impartial official such as a High Court Judge, and ultimately gave up almost unconditionally.

Naturally many speculations have been offered. It has been pointed out that when Gandhi requested an interview with the Viceroy on Aug. 22, he did not go alone, but took with him three members of the Congress Working Committee—Pandit Vallabhai Patel, who has publicly characterized the

truce as a breathing-space before war, Pandit Jawaharlal Nehru, who has given his energies to organizing no-rent and no-tax campaigns among the peasants of the United Provinces, and the Moslem Abdul Ghaffar Khan, who has built up the Red Shirts of the North West Frontier Province into a trained organization numbering in the tens of thousands. Gandhi decided to go to London as Congress Party delegate on Aug. 26, but he did not succeed in winning over his associates until the next day. One explanation, then, is that the Congress Party has lost some of its former remarkable unity.

More persuasive is the reminder that Gandhi and the Congress party decided to cooperate with the Round Table Conference during the week-end in which the former Labor Government resigned and a predominantly Conservative coalition took its place. Great satisfaction was expressed over the appointment of Sir Samuel Hoare as Secretary of State for India, but no one expected as much conciliation from the Conservatives as from Labor. This coincidence gave point to the argument that from May to late August, during the hot season and the interval between London conferences, Gandhi and the Congress party were simply manoeuvring to preserve and augment their right to be considered the chief intermediaries between the British Government and the people of India.

At any rate, Gandhi, the Pandit Mavalviya and Mrs. Sarojini Naidu eventually sailed as Congress delegates and the Federal Structures Committee postponed its full meetings until Sept. 15 in order to include them. Gandhi has expressed himself as an optimist in spite of himself, but on Sept. 6 he said: "My expectations of results are zero, if I base them on my survey of the horizon." If he and the Congress overplayed their hand during the Summer they have their chance now to regain moral leadership of India.

There were other instances of loss of unity in India. The Moslems, strengthened in the new delegation, were outspoken in their insistence that their solution of the minorities question be accepted before going on to frame a Federal Constitution. The so-called "Nationalist" Moslems failed to have their leader, Dr. Ansari, chosen as a delegate, although Sir Ali Imam, a moderate from their group, secured a place. The Nawab of Bhopal, Chancellor of the Chamber of Princes, took Dr. Ansari in his suite as personal physician, thus adding another object for the criticism with which his leadership of the Princes has increasingly been faced. In general, however, the crisis in Great Britain has forced the Indians to take a sober view of their own problems.

#### THE REVOLT IN BURMA

The Burmese revolt has considerably died down under the amnesty of July and the active assistance of the Buddhist monks in pacification. One Saya San, called King Golden Crow, leader of the rebellion in the Tharawaddy region was arrested on Aug. 3 and with eighteen of his lieutenants sentenced to death on Aug. 28. He had earlier been reported killed. On Aug. 20 the British Government announced that it would hold, probably in November, a separate round-table conference to frame a Burmese Constitution, with the idea that its work might be completed in time to allow the Indian Federal Structures Committee to integrate the Burmese and Indian constitutional settlements.

#### HURRICANE IN BRITISH HONDURAS

One thousand persons out of a population of 15,000 were killed in a hurricane and tidal wave which struck Belize, the capital of British Honduras, on Sept. 10. Among them were a number of American citizens. The city, which lies but two feet above

high tide, was almost completely destroyed, and when plague broke out in the ruins large areas were devoted to funeral pyres. The United States Navy and Red Cross were at once ordered by President Hoover to rush aid by airplane and ship, and were first to the rescue the following day, while British ships proceeded from Caribbean ports to join them. The hurricane was one of three which occurred almost simultaneously in this region, a second having occa-

sioned considerable damage in Porto Rico, and a third, off Lower California, sinking the *Colombia*, from which all were dramatically rescued. British Honduras, the sole possession of Great Britain in Central America, was occupied by British traders in mahogany in the seventeenth century, but territorial rights were disputed by Spain until 1798. When the hurricane arose, the inhabitants were celebrating their 133d anniversary of "independence."

## The Depression Reaches France

THE Summer of 1931 has brought to France some pleasing satisfactions of her pride—the acceptance, on her own terms, of the American and the British plans of rescue for Germany; the ability to help, out of her full gold chest, her former ally Great Britain in a sudden financial plight; the abandonment by Germany and Austria of the much-dreaded customs union, followed by the confirmation of the French claims in the verdict of the World Court (even if only by a vote of 8 to 7), and finally the undoubtedly success, from every standpoint, of the colonial exposition in a year of serious tourist slump. All that would seem to justify an optimistic and rosy picture, but it is all offset, on the economic side, by the steadily increasing threat of depression and, on the political side, by the uncertainty and instability of some of France's foreign relations as well as by a certain feeling of moral isolation that, at times, seemed to beset her.

Trade figures for the first seven months of 1931, published on Aug. 19, showed a continual decline in the volume of French international trade in respect to both prices and tonnage from the corresponding period of last

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year, when there was already a considerable falling off. They showed also a steady increase in value and tonnage of imports over exports, a continued decline in value and tonnage of both exports and imports of raw materials and a heavy decline in the value of exports of manufactured articles. While total imports decreased from Jan. 1 to July 31 by 13.3 per cent in comparison with 1930, exports decreased by 29 per cent. The regression having been more rapid for exports than for imports, the visible balance of trade showed a more serious deficit. It was almost double that for the corresponding period of 1930.

To these disturbing figures must be added the so-called invisible trade returns represented by the money spent in France by foreign travelers. According to tentative estimates, this year's tourist trade has fallen off by 25 per cent compared with last year, itself below the preceding year. Last year's revenue from tourists is estimated at \$240,000,000, as against \$320,000,000 in 1929. The tourist slump affects all the so-called luxury industries. How seriously these industries have suffered can be gathered from the fact that France sold this year to the United States



FRANCE AND BELGIUM

only \$36,000,000 worth of goods, as compared with \$60,000,000 during the first period of 1930.

Strangely enough, all these signs of depression and this steady decline of trade have coincided with the rise in the tide of gold that has flowed into the vaults of the Bank of France. In June, 1928, the French stock of gold was just below \$1,160,000,000. At the end of that year it had reached nearly \$1,360,000,000. By the end of 1929 it had reached more than \$1,680,000,000, and on Aug. 20, 1931, it had reached a record figure of \$2,382,000,000. This accumulation of gold, while flattering to national pride, since it is a sign of wealth and has given to France a financial prestige second only to that of the United States, has, however, some serious drawbacks. It represents an unhealthy restriction of credit and it has another unpleasant consequence which is seen in the abnormally high prices maintained on the domestic market.

To these disquieting facts must be added the forebodings heard on all sides of an ever-mounting deficit in the national budget. The last financial year ended on March 31 with a deficit of more than \$80,000,000. For the current year financial authorities

such as M. Germain-Martin, former Minister of the Budget, and M. Bertrand Nogaro, Deputy and Professor of Law, predict a deficit of, at least, \$100,000,000. In past years surplus revenue has always been obtained from taxes on turnover and indirect taxes which reflect business activity. But with the decline of this activity and the slump of the iron, steel, textile, coal and leather industries, the receipts are expected to fall far below estimates. The direct taxes were, of course, the first to suffer. And expenses stimulated by the recent years of prosperity have not been reduced. The social insurance act passed in 1930 will cost \$20,000,000. Increases have been voted on war pensions, roads, school buildings, electrification and telephones without corresponding resources always being provided to finance them. The national defense still absorbs, according to the Radical leader, Daladier, ex-Minister of War, in a recent article of *Le Petit Provençal*, the sum of \$650,000,000 a year. In view of these critical conditions the press is full of warnings addressed to Parliament, while next year's budget is being prepared, not to fall into the errors of neighboring countries.

The problem of unemployment, without being yet as acute as in other countries, is gradually becoming more serious. The official figures, to be sure, recognize only 100,000 men and women as unemployed. But the labor organizations and certain Socialist organs ridicule these estimates and assert that the figure is closer to 600,000. Furthermore, the large total does not, they state, include part-time workers who now, according to them, number several millions.

#### FRANCO-GERMAN RELATIONS

Franco-German relations remained, in the discussions of the press, the dominant topic of controversy, with the Right and the Left opposing their views on every issue in the same spirit as in the past. When the referendum

of Aug. 9 on the question of the Prussian Diet resulted in the discomfiture of the Steel Helmet and Communist coalition, the newspapers of the Left stressed the Republican success while the French Nationalists called attention to the 10,000,000 who had voted to oust the Braun Government. When on Aug. 13 Ambassador von Hoesch extended to M. Briand and M. Laval an invitation to visit Berlin to return the call of Chancellor Bruening and Foreign Minister Curtius, and continue the conversations started in Paris and London, the question of the date as well as of the principle of the visit came up for discussion. The Left was elated at this new opportunity for friendly intercourse. The spokesmen of the Right, on the contrary, either wished the meeting to take place only after the customs union case had been settled or, like *Le Journal des Débats*, suggested that it should be abandoned altogether, conversations being useless in view of the absolute divergence of the French and German viewpoints on the issue to be discussed.

Even the decision of the World Court, delivered on Sept. 5, sustaining the French thesis, preceded by the official renunciation by Germany and Austria of the projected customs union, did not satisfy the extremists. They argued that this victory won by 8 to 7 was only a temporary one, that it did not meet all the French claims and that Germany and Austria may be free to resume the project as soon as their financial difficulties have been overcome. The *Echo de Paris* even asked that the League pronounce an absolute veto for all times.

During these squabbles M. Briand, whose health had been seriously impaired, was in retirement in the country recovering from the strain of past exertions and leaving to M. Laval the direction of French foreign policies. The Prime Minister, conciliatory and prudent as usual, was able to postpone any decision about the date of the Berlin visit as long as M. Briand's

health was uncertain, and hence he steered clear of any embarrassing commitments, leaving the press to thresh out at their will these vexing problems.

It is necessary to remember that while the Nationalist viewpoint is more often heard abroad, because it is voiced by some of the more widely known Paris papers, the necessity of more normal and wholesome relations between France and Germany has not been without its supporters. Thus Lucien Romier, keen student of history and economics, writing in *Le Petit Parisien*, the French paper with the widest circulation, recently urged that the time has come for France and Germany to abandon the false and sterile positions of defender and demander and to talk seriously and practically about their problems.

Another paper of much more limited influence but distinctly liberal, *La Volonté*, described accurately the situation when it pointed out how much ground had been lost by "the clumsy initiative" of the Austro-German customs union and by "the awkward French reaction to the Hoover proposal." It added with regret that, in spite of the many contacts established between Ministers and the fruitful manifestations of cordiality (such as the meeting of French and German university men at Marseilles in August) there remains in France "a definite distrust against Germany and in Germany a bitter disillusionment about France."

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#### NEW FRENCH AMBASSADOR TO GERMANY

Coming at this time the appointment on Aug. 20 of a new French Ambassador to Germany in place of M. de Margerie, who was allowed to retire, has been hailed as a very important move. The new Ambassador is M. François-Poncet, deputy of Paris and under-secretary of the Presidency of Council and of National Economy, and is generally acknowledged to be one of the men best fitted by training

and ability to occupy this strategic position at such a moment. He is only forty-four years old. For a short time professor of German in a French lycée, he is the author of several books on German literature and on French post-war problems, and combines with his knowledge of German and the Germans a rare aptitude for the handling of economic problems. During and after the war he was entrusted with important technical missions to Switzerland and the United States. He was delegate to the Genoa conference and remained in the Ruhr on the staff of General Degoutte until 1923. Under-secretary in the Poincaré, Briand and Tardieu Cabinets, he relinquishes his position in the Laval Ministry to go to Berlin as an expert on German affairs and on economics. A polished writer and an incisive speaker with a training superior to that of both the average diplomat and the ordinary politician, possessing the confidence of important French industrial concerns with which he has been connected and having worked intimately both with M. Briand and M. Laval, he will be able to carry out the sort of policy outlined by M. Lucien Romier and called for by most practical and level-headed Frenchmen.

M. Briand was able to resume his work on Sept. 6 when he left Paris for the meeting of the League of Nations. His departure was the occasion of a demonstration by his admirers, who continue to consider him as the best friend of peace in a government which has never had their entire confidence.

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#### FRANCO-SOVIET TRADE AGREEMENT

The ominous business situation in France has brought about one interesting result. France and the Soviet Government have decided to resume more amicable commercial relations, the decree of Oct. 3, 1930, against Russian "dumping" and the retaliatory Soviet decree of Oct. 20 against

French goods having almost killed the trade between the two countries. The Russian exports into France, which had reached \$28,000,000 in 1930 fell to \$10,000,000 for the first six months of 1931, while France sold Russia during that period only \$1,080,000 worth of goods, as against \$6,800,000 in 1930.

Louis Rollin, Minister of Commerce, feeling that it was necessary to establish a more satisfactory commercial balance between the two countries, entered into negotiations with the Soviet Government. These negotiations have already resulted in the cancellation of the decrees of Oct. 3 and 20, respectively, and in the application to Russia of the general tariff schedule. The Soviet market has been opened again to French exporters, although figures show that the Soviet Union benefits more by the arrangements than France, since her sales to France have been always much larger than her purchases. This resumption of commercial relations, which the Minister justified both on the ground of economic necessity and by the example of other nations, has, nevertheless, been the object of criticism on the part of the people who have neither forgotten nor forgiven the Soviet attitude in the matter of pre-war debts.

Meanwhile the French Foreign Office has gone a step further and negotiations for a treaty on non-aggression and conciliation, begun last April, are about to be reopened in Paris. Maxim Litvinov stated on Aug. 28, while passing through Berlin on his way to Geneva, that no treaty would have such a bearing on the European situation. However, the attitude of Poland will have to be taken into consideration before a satisfactory solution is reached.

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#### FRENCH ATTITUDE ON DISARMAMENT

To the question of disarmament France has continued to contribute her share of enlightenment and docu-

mentation. At the end of July she sent to the Council of the League of Nations a provisional memorandum setting forth her past policy regarding the limitation of her army, navy and air force. M. Paul-Boncour, Socialist Deputy and chairman of the Foreign Policy Committee of the Chamber, on Aug. 31 issued a statement in which he gave as France's condition for a whole-hearted policy of disarmament the consent of all nations to place their armed forces at the disposal of the League in case of a war of aggression. This construction of Article XVI and Article VIII of the covenant has long been the favorite theme of Paul-Boncour's peace propaganda, as it was also the doctrine of the late Léon Bourgeois. While Paul-Boncour's views cannot be officially considered as those of the government, his authority both as chairman of the Foreign Policy Committee and as the former French delegate to the League gives it an undoubted weight. It is safe to say that it represents the views of the overwhelming majority of French liberals and pacifists. Paul-Boncour, who was the principal spokesman for France before the World Court in the Austro-German customs union case, is perhaps the most polished orator of the Socialist party, with a wide following and many admirers in all groups of the Chamber and a popularity due both to his winning personality and to his more "national" reaction to foreign problems.

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#### BELGIAN CONTROVERSIES

The Parliamentary recess in Belgium has permitted public opinion to ventilate and clarify the general political issues that are before the country. The language question, which dominated the session of 1930-31, has been settled only for primary education on the lines of linguistic territoriality, a matter which seems to have the preference of Premier Renkin but which, according to the Walloons, sacrifices the French minorities of Flan-

ders. A French paper edited by Professor Jacques Pirenne, son of the historian, has even spoken of appealing in their favor to the League of Nations. The problem of language in secondary schools remains to be settled; it will be taken up by the Senate at the next session.

The question of national defense, which is the other big issue to be settled, turns on the protection of the eastern provinces which the plans of the general staff seemed to sacrifice by providing only a short defensive in the region of Liège. The Walloons have insisted that provision should be made to defend not merely the line of the Meuse but also the Ardennes, according to the scheme elaborated by General Maglinse. Meanwhile the sum appropriated seems to be sufficient only for the fortifications of the Escaut-Ghent region according to the original plan of General Galet, which does not give the French-speaking part of the country the protection which it claims.

The financial situation, which has been affected both by tax reductions imprudently accepted by the Jaspar Ministry and by the general crisis, which is marked by a serious falling off in revenue, has been the principal concern of the Prime Minister. He wishes to present a balanced budget without further recourse to loans for the discussion of Parliament when it reconvenes. Much has been said also of the abuses connected with war pensions and old-age pensions for workingmen which deserve severe condemnation. M. Renkin, however, does not seem disposed to modify the existing social legislation.

The coal industry has also had its crisis as a result of the invasion of the Belgian market by foreign coal, especially from Germany and Holland. The directors of the Belgian coal mines having decided to denounce the wage agreement made with the miners, the latter protested in their regular convention of Aug. 23 against all

reductions in wages and called for a limitation of foreign imports of coal. This was brought about after negotiations between Belgian and German delegates. It was agreed that there should be a simultaneous reduction of Belgian production and of foreign im-

ports. A system of import licenses applying to all countries has been devised for the last part of 1931, each one having its quota reduced to 50 per cent of the normal contingent. The three countries affected are Germany, Holland and France.

## Austro-German Tariff Pact Dropped

UNDER pressure of her financial troubles and the need of placating France, Austria on

Sept. 3 announced at Geneva her abandonment of the proposal for a customs union with Germany, which had been suddenly made public on March 19 and which had given rise to so much acrimonious discussion in the European press. Austria did not wait for the publication of the advisory opinion of The Hague Court which condemned the proposed union a few days later.

Germany, through her Foreign Minister, Dr. Curtius, stated that his country had likewise abandoned the proposal. He did so with a small string attached—pending fertile results from the European Union Commission, at the opening meeting of which his statement was made. He explained that Germany's change of attitude was owing to the critical events which had taken place since the preceding March.

In both Austria and Germany there was a strong feeling that their countries had been forced to back down before the power of French capital, and the incident had consequently caused a strong undercurrent of resentment. In reply to the Austrian and German announcements, M. Flandrin, the French Minister of Finance, formally took note of the declarations "so happily made," and expressed the hope that they would dissipate the uneasiness which the customs union proposal had caused. He added that

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"the rôle which France, through the initiative of M. Briand, had taken in creating this commission," made it un-

necessary for him to reaffirm the French Government's desire to promote European solidarity. His brief statement struck many as cold and as showing less enthusiasm for a European economic union than France had shown in May when Briand put forward the plan as a rival project to cut the ground from under the proposed Austro-German customs union.

The World Court rendered its decision on Sept. 5. It held, by a vote of eight to seven, that the proposed Austro-German customs union was incompatible with the Geneva Protocol of 1922, under which Austria was given a loan under the auspices of the League of Nations, but not incompatible with the Treaties of Versailles or St. Germain. As the loan conditions expire in 1942, Germany and Austria might conceivably then be free, as a result of the court's decision, to go ahead with their plan. The manner in which the court divided is not uninteresting. With the exception of the Belgian vote, the judges appear to have followed the political attitude of the country which they represented. The eight judges giving the majority opinion were: Fromageot (France), Rostworski (Poland), Negulesco (Romania), Altamira (Spain), Anzilotti (Italy), Urrutia (Colombia), Bustamente (Cuba) and Guerrero (Salvador). The dissenting minority were: Kellogg (United States), Hurst



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(Great Britain), Schucking (Germany), Eysinga (Holland), Chung-hui (China), Adatchi (Japan) and Bolin-Jacuemyns (Belgium). Noting the relative insignificance of some of the smaller countries, some newspapers commented that the decision would have been different if the votes had been "weighed" instead of counted.

#### GERMAN FINANCIAL CONDITIONS

A further step toward more normal conditions after the financial crisis of the early Summer was taken by the Reichsbank on Aug. 31 in lowering its discount rate from 10 to 8 per cent. This was possible in view of a fair return of gold into the bank as a result of the high discount rate during the previous weeks and the other emergency measures taken during the financial crisis. The August end-of-the-month statement of the Reichsbank showed its gold holdings to be 1,366,081,000 gold marks (\$320,000,000), and the ratio of the coverage to circulation to be 39.3 per cent.

The lowering of the discount rate was intended to ease credit and facilitate the reopening of the stock exchanges, which had been closed in mid-July to prevent a disastrous collapse. During the seven weeks that the Berlin Boerse had been closed there had

been some unofficial trading, but the quoting of prices in the papers had been forbidden, and no one knew how big a drop in stock prices to expect when the exchanges were reopened on Sept. 3. To avert anything like a disastrous panic on the first day of trading the government appointed commissioners with authority to fix minimum prices, to strike off the list stocks which proved dangerously weak and to ration sales where great amounts were offered. Even with these precautions the heavy drop—ranging from 25 to 40 per cent—compared with last July showed how greatly business has been disorganized and confidence shaken. Fortunately stock prices steadied considerably during the days following the opening, and fewer stocks were pressed for sale. The sweeping decline from July to September may be seen from a few leading stocks, in spite of their good dividend rates, which are indicated in parentheses:

	July 11. Sept. 3.
Reichsbank (12) .....	125 102
Deutsche Bank (6) .....	100 75
Hamburg-American Line (6) .....	40 28
A. E. G., General Electric (7) .....	84 59
Siemens and Halske (14) .....	140 103
I. G. Farbenindustrie, Dye Trust (12) .....	122 93
Vereinigte Stahlwerke, United Steel (4) .....	37 26

#### THE WIGGIN REPORT

The two points in the Wiggin report (the substance of which is set forth by Mr. Gerould in his article on pages 101-104 of this magazine), to which the Germans attach chief importance are the reduction of allied debt payments to the United States with a corresponding reduction of German reparation payments, and the lowering of tariffs throughout the world which obstruct the free movement of goods. The Germans call attention also to the significant phrase, "The time is short." They want to have called as soon as possible another international conference for a further modification of the Young Plan before the expiration of Presi-

dent Hoover's moratorium. The obvious person to call such a conference is President Hoover. But unofficial reports from Washington on Sept. 1 indicated that he would wait for European action on this subject. It is to be hoped that he will change his mind, and change it before the reassembling of Congress in December. Otherwise there is danger that the initiative in the debt question will pass into the hands of narrow-minded extremists in Congress, making international action impossible. But if the President takes a strong hand quickly he is almost certain to command the support of Europe (with the exception of France and her satellites), of the people of the United States and of a majority of Congress.

The French, on the other hand, emphasize the parts of the Wiggin report which state that the relations between Germany and the other European powers must be firmly established on the basis of mutual confidence and sympathetic cooperation. They want Germany to abandon her campaign for revision of the treaty of Versailles, the Polish Corridor, and commercial and military restrictions. The French also insist on receiving at least their share of the unconditional part of German reparations. In one respect the Germans have taken a step to satisfy French political desires; they have, as already pointed out, renounced for the present the proposal for an Austro-German customs union.

## Another Fascist-Vatican Accord

THE violent controversy between the Pope and the Fascist Government which began late in May last, and reached a crisis with the publication of the encyclical of July 4, was finally settled on Sept. 2. (See Mr. Littlefield's article on pages 29-34 of this magazine.) For a time it looked as if an open rupture would be an unavoidable sequel to the encyclical. Fortunately neither party could afford to tear up the agreement of 1929 and matters were allowed to drift. Toward the end of August evidence of improvement in the situation began to appear. Official relations which had been interrupted were resumed. On Aug. 25 Count de Vecchi, the Italian Ambassador to the Holy See, had a conference with Cardinal Pacelli, the Papal Secretary. With the aid of the Jesuit father, Tacchi-Venturi, the Vatican's unofficial negotiator in the matter, a new understanding was formulated and accepted by both sides.

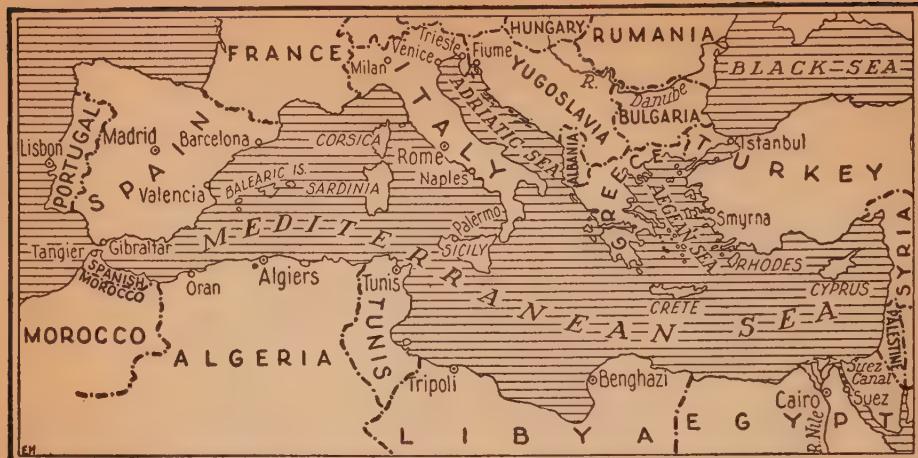
According to the new arrangement,

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the 1,500 clubs of Catholic Action are restored to the Pope on condition that they confine themselves strictly to religious activities, adopt the Italian flag as their banner, abstain from all trades union activities and limit themselves to purely educational and recreational meetings with a religious purpose. Even athletics are barred, a condition that may force the Knights of Columbus to affiliate their playgrounds in Rome with the Balilla, the Fascist youth organization.

The directors of Catholic Action are to be appointed by the Bishops and must be persons who have never been associated with any anti-Fascist organization. Since the Bishops must be acceptable to the government and take an oath of loyalty to the King, this provision of the accord is a strong guarantee against anti-Fascist activities within the clubs. Naturally Mussolini's order declaring membership in the Fascist party and Catholic Action as incompatible is dropped.

In view of the ease with which the



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settlement seems to have been made, one cannot refrain from wondering why the breach was allowed to widen to one of such magnitude. The real difficulty lies, of course, in the conflict of ideals and a struggle for the control of the education of the youth of Italy. With Fascism the State must always come before the individual. This the Church denounces as "Totalitarianism" and sheerest "pagan State worship." According to the Church the individual and the family come before the State. Hence its insistence on the sanctity of marriage, its opposition to divorce and the claim that education is a divinely appointed duty of the Church.

#### GERMAN CHANCELLOR VISITS ROME

During the first week in August, Chancellor Bruening and Foreign Minister Curtius of Germany visited Rome, and were received by both Mussolini and the Pope. In ordinary circumstances the visit might have been fraught with international consequences of great importance but coming immediately after the financial collapse of the Reich and the vigorous reassertion of French financial hegemony, the orientation of

Italian foreign policy seems not to have been seriously affected.

In the meantime Mussolini continued to express his pacific sentiments with increasing fervor. At the opening of the great aqueduct at Ravenna on Aug. 1 he declared that the Fascist Government desired peace because all its energies were being extended to the utmost to improve the material and moral condition of the Italian people: "We want peace not because we fear the risks of war and the uncertainties of battle, but because we are engaged in a great work, and wish as soon as possible to relieve the Italian people of the hardships of the present." Similarly, in an article in the *Boersen Courier* on Aug. 9, he urged the powers to cooperate for international peace. "The moment has come," he declared, "when we must find means to put our financial house in order or collapse under the burden of military expenditures. \* \* \* The thirteen years which have elapsed [since the war] have brought nothing but empty peace phrases, and the nations have gone on constructing battleships, strengthening their military forces and organizing air fleets. \* \* \* Now for the first time a different view is noticeable which should inaugurate an epoch of real peace."

In the meantime, Mussolini's great air force of nearly 1,000 planes as a unit independent of the army and the navy started, in accordance with the Italian principle of "mass use" of planes, from Pisa on Aug. 28 in a sham battle against the naval base at Spezia.

The constant urge to emulate the work and achievement of ancient Rome appeared conspicuously during August in several events. The first was the opening of the Ravenna aqueduct already referred to. It will bring fresh water to Ravenna for the first time since the Roman aqueducts fell into decay in the Middle Ages. The second appears in the continued activity of the autonomous State Road Board. Mussolini himself confesses to "an almost Roman passion for roads." Nearly 4,000 miles of Italy's 12,800 miles of road are being re-built and transformed for modern motor travel by eliminating grade crossings, leveling hills and rectifying curves. Old Roman names and the imperial eagle appear on the markers and thousands of young trees are being planted along the roadsides.

At the same time Italy's ambitions at sea were emphasized by the launching at the Ansaldo shipyard in Genoa on Aug. 1 of the *Rex*, the first of two 50,000-ton swift Atlantic liners. The vessel was christened by Queen Elena, and blessed by Cardinal Minoletta, Archbishop of Genoa, amid salvos of artillery and the noise of thousands of sirens. The explosion of a bomb in the business centre of Genoa a few hours before the launching slightly marred the celebration.

The unusual attention to the economic life of the nation was also emphasized by the celebration of the centenary of the founding of the Council of State by Sardinia in 1831. In his address on the occasion, Mussolini again lauded the advantages of the "authoritarian State," justifying the intervention of the State in economic matters. Before 1914 the State

had invaded the economic field somewhat but the World War gave a tremendous impetus to a challenge which the Fascist State eagerly accepts. In line with this it is also attacking the problem of unemployment with much vigor. Vast sums are being set aside for public works including railroads, hydroelectric plants, public buildings, harbor improvements and the reclaiming of marsh lands, notably the Pontine Marshes between Rome and Naples, to give work to the jobless.

#### THE NEW SPANISH CONSTITUTION

Framing the Spanish Constitution and at the same time protecting and stabilizing the new republic against the attacks of the extremists have occupied the Cortes and the Provisional Government during the month. On Aug. 18 the draft of the Constitution, prepared by a committee representing different parties of the Assembly, was handed to President Zammora by the chairman, Señor Ossorio y Gallarado. The draft differs considerably from that drawn up by the Provisional Government. Instead of a bicameral Legislature, only one chamber is recommended in the committee draft. It also abandons the earlier recommendation for election of the President by the Legislature, as in France, and recommends his election by the people, as in Germany. On the vexed question of the statutes of the Church, the new draft is considerably more radical. To the separation of Church and State it adds the dissolution of the religious orders and nationalization of their property, very easy provisions for divorce and the placing of illegitimate children on the same basis as others. There is also a chapter on national economic life which sets up a technical economic council with the right to draft and lay bills before the Cortes.

The statutes demanding autonomy for Catalonia, Andalusia and the Basque provinces have also been

drawn up and submitted. They follow in general the lines of the Catalan statute which, after being endorsed by an almost unanimous vote of the Catalans in plebiscite, was formally submitted to President Zamora and by him laid before the Cortes, with the wise suggestion, however, that discussion of the project be deferred by the Assembly until the main provisions of the National Constitution have been determined. In the meantime the land bill, prepared by a special committee and approved by the government, also awaits the action of the Cortes. It provides for nationalization of certain lands, especially of the old feudal estates, for colonization and with indemnity to the owners.

That there is urgent need for action is evident. According to Miguel Unamuno, one of the Basque leaders of the revolution, "everything appears calm for the republic on the surface, but underneath sinister currents are forming." He is particularly concerned over the religious question, which, if not dealt with in moderation, will, he fears, cause serious trouble.

On the day the committee draft of the Constitution was published, the Bishops of Spain united in a ringing pastoral letter urging all Spanish Catholics to unite in defense of their interests. "Laicism, with all its errors and damaging institutions," is denounced as "the plague of modern times." The letter caused considerable excitement and widespread discussion. In the meetings of the Cabinet the Socialists and Radicals demanded stern measures.

The excitement was further increased by the arrest of Justo Antonia Echeguren, the Vicar-General of Victoria, at San Sebastian, with documents from the exiled Bishop Mugicia and Cardinal Segura y Saenz, of an anti-government character, instructing the clergy, so it is said, to sell all property possible. The answer of the government was sharp and decisive. By a decree prohibiting the sale, transfer or mortgaging of property

belonging to the Church or to the religious orders, it tied up not only real estate and buildings but millions of pesetas in cash lying in banks, as well as bonds, stocks and other securities held by the Church. A few days later, on Aug. 21, it formally asked the Vatican if it had known of the documents, protested against the anti-government activities of Cardinal Segura y Saenz and demanded his removal as Primate of Spain. The government also ordered the suppression of many Basque newspapers because of their anti-government propaganda.

On the other hand, a note published by the Bishop of Tarragona, who returned recently from a conference at the Vatican, stated definitely that the clergy are ready to support the Central Government "in all temporal matters, provided the dignity of the Church is retained." This spirit of compromise is further reflected in the proposals of the commission of the Cortes charged with fixing the financial relations between Church and State, in which it is proposed to grant the Church a fixed tax to be collected by the Church through the tax-collecting organization of the government. As a corollary to this, it is proposed that the \$1,200,000, annually paid by the government to the Church heretofore, be completely suppressed, along with the complicated system of tithes, which, it is estimated, yielded about \$75,000.

The danger from the radicals, which loomed large in the early part of the month, gradually declined; the vigorous suppression of the strikes and insurrections apparently had a salutary effect for a time. Later in August and early in September a split in the ranks of the Sindicato Unico appeared. Angel Castana, the head of the union, and several of his colleagues, in a widely published note, denounced further disturbances as "likely to cause a dictatorship and a revolution." As a consequence, the Left Wing of the Sindicato is breaking away and joining the Iberian Anar-

chist Association. Since the strength of the Sindicato has been largely in Catalonia, where it has vigorously advocated independence, its disruption will make it easier for Colonel Macia, the President of the Catalan Generalidad, to yield to the demands of Madrid for a more highly centralized National Government.

But, while the moderate element of the Sindicato Unico is thus drawn toward the National Government in Madrid, the anarchist federation has declared open war. Even the Sindicato Unico on Sept. 3 joined in a general strike to cripple the commerce of Barcelona, and for the moment the economic life of Spain's greatest industrial city was completely paralyzed. Fully aware of the danger, the Madrid Government took vigorous steps against the strike. Troops with machine guns and artillery patrolled the streets; *Solidarid Obrera*, the leading Syndicalist newspaper, was suppressed; leaders of radical or royalist sympathies were arrested and a rigorous control was established over ports and frontier towns against the return of supporters of the former régime.

Determined efforts are also being made to stabilize the currency, which has been very unsettled for several months. The quotation of 11.64 pesetas to the dollar made in the last week of August compares very unfavorably with an average of 6.73 to the dollar during the eight years from 1921 to 1929. The economic and social distress incident to a volatile currency is well known. In Spain it is having a particularly serious effect, because the standard of living was already quite low. Recognizing the seriousness of the problem, the government during the last week in August definitely

mobilized its gold reserve of more than \$500,000,000 in defense of the peseta. The method is simple. It proposes to buy as many paper pesetas as are offered in the foreign market at the very low quotation at present prevailing and to retire them from circulation. According to Señor Garabies, governor of the Bank of Spain, the gold reserve for the purchase of paper pesetas is ample to steady the exchange until the political situation improves and the export of fruit and other commodities creates a more favorable trade balance.

#### *REVOLT IN PORTUGAL*

On the eve of the elections preparatory to turning the government over to Parliament, the dictatorship of President Carmona was again challenged by a miniature insurrection (incited, it is claimed, by political leaders of the old parties). A revolt of a part of the Lisbon garrison on the morning of Aug. 26 led to vigorous fighting, in which machine guns, armored cars and bombing planes all participated. More than eighty persons were killed and several hundred, many of them civilians, wounded. The immediate cause seems to have been the dismissal of Colonel Schiappa de Azevedo, the Minister of War. By evening the government had the situation completely under control, and the twenty-third revolt against the régime set up after King Manoel, in 1916, came to an abortive end. Every effort is being made by the dictator, President Carmona, to pacify the population. Extensive public works are being undertaken to give work to the jobless. A new loan of \$5,000,000 has recently been floated in London for the financing of work of this kind in Lisbon.

# Yugoslav Dictatorship Ends

THE second European dictatorship which the year 1931 has brought to a close is that set up in the Kingdom of Yugoslavia on Jan. 6, 1929. Unlike Spain, however, where dictatorial rule ended only with the abolition of monarchy and the proclamation of a republic, the Triune Kingdom has emerged with political forms substantially as they were before.

The Yugoslav dictatorship was proclaimed in the first instance not, as in Spain and Italy, because of social unrest within a well-established political unity, but for the reason that a congeries of peoples—Serbs, Croats, Slovenes, Dalmatians, Bosnians, Montenegrins—swept together when the new post-war map of Europe was made, had not learned how to live together amicably, and by incessant friction and strife were fatally crippling the operation of the government. The manifesto terminating the dictatorial régime explained that the step was taken in recognition of the loyalty with which all groups of subjects had cooperated in the past thirty-two months in helping the government carry out its political and economic measures. Close observers, however, believe that the change was in reality inspired partly by the restlessness of the Croatians, partly by dislike of the Serbs for a system which ran counter to their deep-seated love of political independence, and perhaps partly by the unwillingness of France to continue longer in the rôle of protector of a Fascist State.

Rumors that a change was impending had been current for several weeks. On Aug. 4 King Alexander denied that there was any basis for them, adding that while the dictatorship would be relaxed when and as he be-

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lieved the country prepared, any action in the immediate future would be rather in the direction of strengthening

the existing régime. Notwithstanding this, it was widely believed that a change would come—or at all events would be announced for a future date—when, on Aug. 16, the sovereign would be celebrating the tenth anniversary of his accession to the throne. The occasion passed, however, with nothing said. Expectation was dampened only momentarily. Conferences were known to be in progress between adherents of the existing régime and leaders of former political parties, and the only question, it was believed, which could be under discussion was that of whether the time was ripe for a resumption of regular constitutional government. Some thought that Sept. 6—birthday of the Crown Prince and occasion of a national festival—would bring the anticipated event. And this prognostication proved erroneous only in that the awaited manifesto was read to the Ministers in Cabinet conclave on the afternoon of Sept. 2. On the previous day, indeed, a notable concession to public feeling was made when a decree was issued restoring to Croatia nearly all of the territory transferred elsewhere when the banats, or districts, into which the realm is divided were revised some sixteen months ago. The end of the dictatorship was formally announced to the public on Sept. 3.

Accompanying the announcement was a draft of a new Constitution under which the country is henceforth to be governed. This Constitution is entirely the handiwork of the King and his advisers, and is not to be submitted to a popular vote or even for ratification by Parliament. It is, there-

fore, a plain case of a fundamental law handed down from above in the fashion customary enough a hundred years ago, but hardly compatible with twentieth-century ideas of democracy. The new plan is designed, furthermore, to be effective only after a general election shall have been held, probably either during the coming Autumn or in the Spring. In the meantime, the gap will be filled by transitional decrees issued by the King.

In the main, the new Constitution follows the lines laid down by the previous one. The official name of the State becomes, however, the "Kingdom of Yugoslavia," as established some time ago by dictatorial decree, instead of the earlier "Kingdom of the Serbs, Croats and Slovenes." And, more important, Parliament is to consist of two houses instead of one as heretofore. While invariably making the "upper" house not only a second but a secondary chamber, post-war European constitutions almost without exception adhered to the traditional bicameral form of legislative organization; and Yugoslavia now falls into line with the established practice. The change, furthermore, is supposed to look into the direction of broader democracy. The Chamber of Deputies is to be elected for four years by secret ballot, and the suffrage is extended to both men and women twenty-one years of age and over. The Senate will be a mixed body, half elected for six-year terms and half appointed by the King. Parliament is to meet every year on Oct. 30, and full parliamentary rights respecting budgets, interpellations and debate are guaranteed. All citizens are to be equal before the law; freedom of the press is declared inviolable; and full judicial independence is pledged. Three languages—Serb, Croat and Slovene—are recognized as official. Banats, or districts and municipalities, are accorded considerable autonomy, governors of the former being appointed by the King on nomination of the Prime Minister.

Concurrently with the termination

of the dictatorship, the Zhivkovitch Ministry was reconstructed so as to include a number of persons who played prominent rôles under the former Parliamentary régime; and of all important former parties only the Bosnian Moslems and the Slovene Clericals were left unrepresented. It was noted, however, that none of the new Ministers were recognized leaders of the old parties. On Sept. 3, the reconstructed Cabinet formally resigned, but was immediately reappointed.

To what extent the displacement of the dictatorship will prove merely a matter of window-dressing, and how free and fair the coming elections will be, remained a matter for speculation. Tradition augured none too well. That the polyglot country had entered upon a new stage in its arduous political experience, and one which might advance it appreciably on the road to both national solidarity and constitutional democracy, was, nevertheless, apparent to all observers.

At the middle of August, the Yugoslav government notified the American Government and also the international committee of experts then sitting in London that it did not see its way clear to participate in the Hoover debt holiday because of the proportionately heavier losses that the country would suffer, amounting to \$16,000,000 in the twelve months. A communiqué of Aug. 18 stated that the Belgrade Government was prepared to fight to the last to obtain its rights under international treaties.

According to a survey made by the Institute of International Finance, conducted by the Investment Bankers Association in cooperation with New York University, Yugoslavia's credit position is largely contingent on various external circumstances and involves the nation's liability as a succession State. Among these debts are those of Serbia and Montenegro, a share of the debts of the former Austro-Hungarian Empire, the Ottoman Empire and the pre-war Kingdom of Bulgaria, the debts of the districts

of the former Austro-Hungarian Empire now part of the Kingdom of Yugoslavia, and also the war debts and post-war debts. Yugoslavia's debt service for the current year amounts to 14.3 per cent of the estimated revenues.

#### **POLISH TREATY WITH SOVIET RUSSIA**

During August representatives of Poland and the Soviet Union were busily negotiating a non-aggression treaty, and a Polish trial draft was delivered at the Foreign Affairs Commissariat in Moscow on Aug. 23. At a disarmament conference held in the Soviet capital in 1922 Russia wanted disarmament and non-aggression discussed together, and the meeting broke up without coming to conclusions on either subject. Two years later and again in 1925 and 1926 the project was revived in various forms, but still without agreement; and in February, 1929, when Poland, Rumania and all the Baltic States signed the Litvinov protocol to the Kellogg Pact, no word was said of guarantees against aggression. The recently announced intention of France to seek a non-aggression pact with the Soviet Union moved the Warsaw Government to make fresh effort in the same direction, on the theory that at a time when Moscow was trying to win France's favor concessions might well be won by France's allies. The advantage to Poland of a lightening of the tension on her Eastern frontiers is obvious.

Tadeusz Holowko, the government bloc's vice president in the Sejm and one of the most prominent leaders of General Pilsudski's party, was shot dead on the night of Aug. 29 in a villa at the watering place of Truskawiecz, near Luwow in Eastern Galicia. The three murderers, who escaped in the darkness, were believed to be Ukrainian terrorists. Holowko, a former Socialist, was interested mainly in national minority problems and had lately negotiated with Ukrainian lead-

ers urging them, fruitlessly as it developed, to withdraw complaints against the Warsaw Government from the agenda of the League of Nations and to declare their loyalty to the Polish State.

The ancient form of collecting taxes in kind is to be revived in Poland to help the unemployed. Grain, potatoes, sugar and coal will be collected and distributed among the jobless who cannot qualify under the dole insurance scheme. It is calculated that 1,000,000,000 zlotys (\$112,000,000) in back taxes is uncollectable, especially from farmers, who have no cash but are willing to pay their share in goods which they cannot sell or for which they would get very low prices.

#### **HUNGARY'S NEW PREMIER**

The outstanding event of the month in Hungary was the resignation of the Bethlen Ministry on Aug. 19, followed by the formation, on Aug. 24, of a new government headed by Count Julius Karolyi. Elsewhere in this magazine (pages 48-52) the writer has commented upon the occurrence, as also upon some aspects of the ten-year period during which Count Bethlen was uninterruptedly at the helm of the Hungarian State. Mention is made in the same connection of the \$25,000,000 loan secured by the expiring government from French and other banking interests.

Appearing before Parliament on Aug. 27 for the first time as Prime Minister, Count Karolyi announced that he would be compelled to burden the public in two ways, first, by economies which would inevitably reduce the national spending power and, second, by increasing revenues through taxation. On Aug. 29, the Commission of Thirty-three—an advisory body of members of Parliament and outside experts appointed some time ago to deal with economic and financial problems—decided on salary cuts affecting all grades of civil officials of nation, counties and municipalities and grad-

uated upward from 10 per cent to 12 and 15 per cent for the five highest classes. Pensions were to be similarly reduced. Reports indicate that by refusing to use public automobiles and in other ways, Premier Karolyi has set a high example of economy in official circles.

In an exchange of telegrams between the new Premier and Premier Mussolini, the former assured the Italian leader that he regarded his most important task to be to maintain and intensify the friendship built up in recent years between Hungary and Italy, thereby following the policy of former Premier Bethlen. The obvious intention was to dispel the rather inevitable impression that Count Bethlen's retirement, coupled with the French loan, betokened a reorientation of Budapest's policy in the direction of Paris, and therefore away from Rome. In his Parliamentary speech of Aug. 27, the Premier credited Italian friendship with opening a door to Hungary from "a dungeon of isolation," but insisted that good relations with Rome were not incompatible with maintenance of friendship with Germany or with continued improvement in the country's relations with France.

#### *GREECE FIRM FOR REPUBLIC*

Rumor linked a visit of Premier Venizelos of Greece to Bucharest on Aug. 20-21 with plans for the return of King George to Greece. "Restoration of the Greek monarchy," declared the Premier, however, to newspaper men who talked with him at Sinaia, "is quite impossible." "When King George was dethroned," the veteran statesman continued, "I was in exile, but I opposed it. However, the country subsequently decided by plebiscite in two general elections in favor of a republican form of government. There is no reason to disturb this decision by renewed monarchist agitation." It was understood that while at Bucharest Premier Venizelos discussed with the Rumanian authorities various mat-

ters of common interest, including the problem of controlling the passage of Soviet ships through the Bosphorus into the Black Sea.

Communist propaganda has been redoubled in Greece, and during August it was reported that an armed anti-Communist citizens' guard would probably be formed to aid the government in dealing with the situation. Hundreds of Communists in Athens prisons were to be deported to some uninhabited island where their escape could be more effectively prevented.

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#### *NEW BULGARIAN PARLIAMENT*

The first session of the new Bulgarian Parliament elected in June was opened on Aug. 20 by King Boris. The King's speech, delivered to the accompaniment of a lively demonstration from the Communist benches, emphasized the gravity of the economic and financial crisis and the need that Parliament do something for the hard-pressed peasantry, balance the budget and observe strict economy.

The long-continued feud between rival factions of the Macedonian Revolutionary Organization, the Mihailovists and the Protogerovists, was brought to a new stage on Aug. 15 by a bomb outrage in Sofia perpetrated by the former and resulting in serious injury to several leaders of the latter. For more than two years, the Mihailovists have had the upper hand, while Protogerovist leaders have lived mostly in exile or strict seclusion.

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#### *ITALIAN LOAN TO ALBANIA*

Evidence of the steady development of Italy's Balkan policy is seen in a new agreement under which Italian bankers are to lend Albania \$2,000,000 a year over a period of ten years, without interest and with no definite date of repayment specified. The funds are to be used for economic purposes (notably public works and agriculture) and education, and are to be spent on such projects as are approved by a commission of four persons, two Italian and two Yugoslav, appointed

by King Zog. The fact that the money is to be advanced in ten annual loans, instead of ten instalments of a single loan, suggests that Rome has pre-

fered to keep the way open to abandon the plan if Albania should at any time fail to manifest the proper degree of "friendship."

## Prohibition in Finland

THE Finnish experiment in prohibition has lately attracted much attention. Statistics on drunkenness, made public by the Ministry of the Interior, disclose that convictions for intoxication rose from 21,253 in 1920 to 79,400 in 1929. The latter figure represents about twenty-three convictions per 1,000 inhabitants. The corresponding figure in England and Wales, which have no prohibition, was about thirteen per 1,000. Finland's new law, passed in May, 1931, which provides that persons under the influence of liquor should be apprehended only if they create public annoyance, has decreased the number of arrests, but the decline, of course, does not reveal a heightening respect for prohibition itself.

The Federation of Finnish Judges, in a communication to the government made public on Sept. 8, termed prohibition a failure, stating that liquor consumption had constantly increased during its term of twelve years, that most persons openly disregarded the law and that the younger generation in particular had become addicted to drinking. A meeting of anti-Prohibitionists was held in Helsinki recently, attended by Danish, Swedish and Norwegian delegates and by several members of the Finnish Government. It was agreed that the present law was a failure, that the Prohibitionists were less interested in temperance than in the retention of the present law at all costs, and that the economic consequences of prohibition made a new policy imperative.

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According to the statement of Captain Miettinen, chief of the Finnish Coast Guard, there will be a lively

smuggling trade this Autumn, for some half-dozen ships, with cargoes ranging from 100,000 to 200,000 liters, were seen at strategic points in the Baltic. It appears that about 1,000,000 liters of alcoholic beverages are to be illegally introduced in the near future, an amount approximately that of the total yearly seizure by enforcement officials.

### THE GREENLAND CONTROVERSY

The conflicting claims of Norway and Denmark to East Greenland, which were submitted in July to the Permanent Court of International Justice at The Hague, continued to attract attention during the month. The Icelandic phase of the controversy took on a new aspect on Aug. 20, when the government of Iceland decided to safeguard the interests of the Icelanders in the dispute. In view of strained relations between Iceland and Denmark—witness the agitation for an Icelandic republic, the dissolution of the Icelandic Althing in April of this year, and the anti-Danish demonstration in Reykjavik—the likelihood of cooperation between Iceland and Denmark is small. The Icelanders' acceptance of the so-called sector principle has led them to claim that a considerable part of the coast of East Greenland, as well as Jan Meyen Island, is their property.

On Aug. 4 Dr. Knud Rasmussen, the Arctic explorer, left Copenhagen



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for Greenland. While the official object of the expedition is to study the area between Cape Farewell and Augmagsalik, its departure was greeted with no enthusiasm by the Norwegians. Both the Rasmussen expedition and that headed by Dr. Lauge Koch, who landed not far from the disputed Greenland region, were interpreted by the Norwegians to mean an open disregard of Norway's claim. Several of the Norwegian newspapers protested against the Danish enterprises, indicating clearly that what the Danes looked upon as a commendable scientific undertaking was considered hardly that by the Norwegians.

The Greenland problem was prominent at the meeting of the Premiers of Sweden, Norway and Denmark at Hamar on Sept. 6, a notable occasion in that for the first time since the dissolution in 1905 of the Swedish-Norwegian union an acting Premier of Sweden spoke on Norwegian soil. Premier Ekman of Sweden praised the peaceful relations among the three countries and declared that an armed conflict between them was an

impossibility. Premier Stauning of Denmark agreed with the Swedish statesman, but strongly criticized the Norwegian campaign regarding Greenland. He pointed out that Denmark had placed the case before the World Court at The Hague, and declared it "shameful" that Norway had not done likewise before proceeding to occupy a part of the East Greenland coast. Premier Kihlstad of Norway gave assurances of his country's good intentions and said that Norway would accept the decision of the World Court as peacefully as she had acted in the separation from Sweden a quarter of a century ago.

#### FARM RELIEF IN DENMARK

During recent months the Danish agricultural situation has been going from bad to worse. As a consequence some uneasiness has appeared among the farmers, leading in some cases to refusals to pay taxes and a demand for a moratorium on farmers' debts. On July 21 a conference was held in Copenhagen for the purpose of finding ways out of the difficulty. It was tentatively decided that a government fund, amounting to some 30,000,000 kroner (\$7,040,000), should be established to extend extra credit facilities to the farmers. At the final conference on Aug. 13, attended by the Ministers of Agriculture, Finance and Internal Affairs, the farmers' organization representatives insisted that the proposed financial aid was altogether inadequate and urged considerable reductions in taxes, both local and national, and the immediate assembly of the National Parliament to deal with the situation. Although the government proposals were on the whole satisfactory to representatives of the small farmers, the conference finally adjourned without agreement and with the situation still unsettled.

#### STATE OWNERSHIP IN SWEDEN

Government ownership of telephones and telegraphs in Sweden paid handsome returns in 1930, according

to a report issued by the Telephone and Telegraph Board. Last year the number of telephones increased by 27,142 to 522,464, the number of long-distance telephone calls from 43,200,000 to 45,000,000 and local calls from 710,000,000 to 746,000,000. The number of telegrams dispatched decreased somewhat during the year. The net surplus of the Telephone and Telegraph Board increased from \$6,137,200 to \$6,726,800. In spite of the trade depression, the Swedish Post-office showed a greater surplus in 1930 than in 1929, or \$4,073,600, an increase of \$160,800.

While the liquor consumption in Sweden under the Bratt system increased by 2.2 per cent during the first six months of this year, convictions for drunkenness decreased by a little over 3 per cent, according to the official reports of the Board of Liquor Control. The increase in consumption was wholly due to more bottled goods being sold for use at home, while the sales in restaurants decreased, owing to the business depression. Less wine also was sold than last year. The average monthly sale in bottles of hard liquor per customer was a little over two quarts, the maximum family allowance being about four quarts.

Swedish jails now hold 1,984 inmates, as compared to 2,113 a year ago. One of the causes of the de-

crease is that many prisoners have been transferred to the insane asylums for medical treatment.

#### LITHUANIAN EX-PREMIER ON TRIAL

Ever since the downfall of the Woldemaras Government, the diminutive Lithuanian ex-Premier has represented a complicated problem. After lengthy preliminaries his trial was begun at Kovno on Aug. 17. The trial was held behind closed doors, and consequently the details of the Woldemaras coup were kept from the press. However, it was reported on Aug. 19 that the former Premier had contended that the "Iron Wolf" organization had been founded with the consent of the President, whose wishes Woldemaras had carried out. On the preceding day, Wiatkevicius, one of the twenty-two other defendants at the trial, furnished a description of the attack upon Colonel Rusteika and on Aug. 19 General Plehavicius testified that Woldemaras had urged him on several occasions to engineer the uprisings designed to raise the former Premier to the position of dictator. It was reported on the same day that the government stood ready to prosecute Professor Woldemaras on another charge, that of embezzling \$5,360.

## Russian Socialism in Operation

THE development of Soviet domestic policy during the past few weeks has been of interest chiefly as throwing light on the purposes expressed in Stalin's program speech of June 23. The speech foreshadowed changes of policy and tactics of such importance as to mark a turning point in Soviet policy. Among foreign observers Stalin's words were interpreted to mean a surrender of

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the recent Communist program in favor of a return to capitalist principles. The salient features of the speech

were certainly open to such an interpretation. The new wage scale, adjusting the rate of pay to the skill of the worker; the new theory of management which greatly increases the authority of the individual at the head of the industrial unit; the proposed remodeling of industrial organization

to decentralize the largest State enterprises; the removal of class distinctions to liberate the bourgeois elements of the population and give free play to their talents in the economic life of the country; these are all of the spirit of capitalist institutions and apparently antagonistic to the purposes of communism. The Soviet leaders, on the other hand, while admitting that the change of policy marks the end of one period of Communist history and the beginning of another, have taken pains to deny that their new program implies a surrender of their basic social purposes.

Rudzutak, who, as member of the Politburo and one of Stalin's most intimate coadjutors, speaks with the full authority of the Kremlin, made a clear statement of the official attitude in his speech of Aug. 11. The phase of Soviet policy brought to a close this Summer began in 1924-25 with the decision to abandon the new economic policy of Lenin. The intervening years have been devoted to a pursuit of two major objectives—the transference of all important business from private hands to the State; and the establishment of political control by a single class—the proletariat, represented by the Communist party. These objectives have now been achieved. The industrial, the financial and the marketing structure of Russia are completely absorbed in the State agencies; and even in agriculture private enterprise has become a minority interest. There is now for the first time since the revolution in November, 1917, virtually no organized opposition to the dictatorship of the party. The kulaks have been "liquidated"; the remnants of the old bourgeoisie have been shattered and cowed by the treason trials of the past two years; and the party itself is united and loyal as never before to a single leadership. Class war is a thing of the past. Socialism is firmly established and accepted by virtually all the people as the basis of the social order. The period of Soviet policy now begin-

ning will be one of Socialist construction during which it will be quite safe to adopt any practical measures calculated to improve economic efficiency, since the inevitable trend of social evolution will be in the direction of full-fledged communism. Such is the official interpretation of the present Soviet program as explained by Rudzutak and other spokesmen of the government.

Whatever the truth with regard to interpretation, there is no doubt that the Soviet leaders have adopted wholeheartedly the new policies prescribed by Stalin. The revision of the wage system is under discussion by representatives of labor and management in separate industries, while plans to affect the country as a whole are being formulated by the appropriate government agencies. Some steps have been taken to decentralize the organization of certain State enterprises, the grain trust in particular. The practical outcome with respect to these features of the new policy will not be known for some time to come. But already vigorous action has been taken to give immediate effect to the most interesting phase of Stalin's program—the liberation of the oppressed "white collar" class. A decree signed by President Kalinin and Premier Molotov on Aug. 3 wiped out all the existing discriminations against the engineers, technicians and other specialists of the old régime, who, until now, have gone in fear of their lives. In the future these people will be ranked in the highest category of the proletarian workers with regard to food, living quarters, unemployment pay, vacations and access to the rest homes; and their children will be given full status in the educational system. They are urged to forego the relative obscurity of the unskilled jobs in which they have sought refuge and to apply for positions in the administrative system. In a series of speeches Rudzutak, Quibishev and other high officials have served warning upon the party membership that

there is to be no distinction hereafter between the Communist and non-Communist, but only such difference of social preferment and material reward as accords with the industry and efficiency of the individual. As an earnest of its sincerity the government has liquidated the remaining conspiracy trials with either acquittal or very light sentences for the engineers and technicians concerned, and on Aug. 13 it attempted to counteract the intimidating effects of the previous trials by granting amnesty to 700 prisoners in the Moscow district and reducing the sentences of 108 others. These measures were obviously adopted for their psychological effect.

As regards the practical problem of insuring that in the future the manager and the expert shall have a sphere of activity within which to display initiative and individuality, the Soviet authorities are moving along lines congenial to their mode of thought. The problem is being discussed from the abstract point of view in the political and industrial journals of the country with a wealth of doctrinaire phrase which is somewhat amusing; but it is significant that these discussions are seeking theoretical justification for a managerial independence whose desirability is accepted without question. As stated in the *Industrial Gazette*, the manager hereafter must be free to handle new situations without written instructions from the political authority, and even free to ignore these instructions when the specific problem in his own judgment warrants such a course. These are commonplaces to the business man of the conservative world, but they represent a wide departure from recent Soviet practice.

This preoccupation with the problems of management lends support to the opinion that an abrupt change of program was forced on the Soviet authorities by the imminent breakdown of their industrial plan. Russia

is building her new industries on the model of the United States, in large units with a high degree of mechanization and with mass production as their objective. This is a type of organization which places a maximum strain on management. The disappointing results obtained in the operation of many of the completed factories, as well as the chaotic condition of the new construction undertaken in certain key industries, have shown clearly that some drastic change of method was necessary. However, the Soviet Government is far from confessing defeat. There is to be no reduction in the terms of the Five-Year Plan, and the government continues to assert that the whole program will be completed during the next—the fourth—fiscal year. On "Industrialization Day," celebrated during the first week in August, the official press reported a total of 186 new enterprises set in operation during the first seven months of 1931, with 250 more so far progressed as to be ready for operation by Nov. 1, and reaffirmed the intention to complete during the current year the entire program of 518 new enterprises as specified in the Five-Year Plan. A test case arose this month when the American engineers, Colonel H. L. Cooper, John Calder and W. A. Haven, in charge of various branches of the gigantic metallurgical construction at Kuznetz, presented so gloomy a picture of the progress of that undertaking as might well have persuaded the government to extend the date for its completion. The outcome, however, was to call forth increased effort, while making drastic changes in management to remove obstacles of which the Americans complained.

All along the line there is similar evidence of determination to carry out the program in its entirety. Foreign skilled labor is being recruited in large numbers to augment domestic resources. The Amtorg Trading Corporation in New York has announced that 6,000 American workmen will be

sent to Russia this Fall, the first 2,000 being already under contract and the others to be selected from among some 100,000 candidates whose names are in the company's files. There will be similar importations of human resources from the industrialized countries of Central Europe. Moreover, the Soviet authorities are laying plans to continue their effort unabated after the completion of the present program. A second Five-Year Plan has already been drafted, and its major terms, in so far as they affect agriculture, have been made public.

As regards the condition of life in the country at the present time and the prospects for the immediate future, it appears that earlier predictions of material improvement were unduly optimistic. It was hoped that by this time the government would be in position to abolish the food ration, but this has proved impossible. The Russian grain crop this year is not particularly good, and the slump in the world's commodity markets will oblige the government to export an unexpectedly large quantity of farm produce in order to acquire foreign purchasing power to discharge commitments already made. These exigencies of foreign trade will also reduce the government's ability to release larger quantities of factory products for home consumption. The authorities are doing what they can to ease the pressure on the people, especially at the points in the industrial system where dissatisfaction would cause trouble. At present some 12,000,000 workers and their families are fed collectively at public dining halls, where meals are served at nominal prices. A decree of Aug. 20 announces plans to double the capacity of these agencies of "social feeding" and to improve the variety and quality of the diet. Further relief is sought by encouraging the peasants to raise foodstuffs for sale at a profit in the markets and railroad stations, and by reviving the ancient household crafts

in leather, metal and woodwork purveying to the local market, although both of these forms of activity have been rigorously suppressed in recent years. On the whole, it is evident that the Russian people, after three years of severe labor and privation, can expect little immediate improvement in the conditions of life.

#### SOVIET FOREIGN POLICY

The chief item of interest in the foreign relations of the Soviet Union is her protracted treaty negotiation with France. The negotiation, begun last April, was at first concerned with the drafting of a Franco-Soviet trade agreement which would place the unsettled commercial relationships of the two countries upon a stable basis. Since then the range of the undertaking has been broadened to embrace matters of great political import, principally the question of the pre-war Russian debts and the proposal of a non-aggression and conciliation pact to govern future Franco-Soviet relations. There is evidence that agreement was reached on all these points during the Summer, but premature publication of that fact in the Paris press late in August aroused such a protest from the French conservatives that both governments thought it expedient to postpone further negotiations until October.

It is now known that a basis for the settlement of the troublesome question of the Czarist debt to France was reached in the Herriot-Rakovsky agreement of 1927, only to be destroyed by the subsequent fall of the French Ministry. At that time the Soviet Union, while expressly denying responsibility for the debt, agreed to pay excess charges on current credit advances so as to place France in position to create a sinking fund against the old claims. In the present negotiations it was stated in Paris that this earlier formula would form the basis for an agreement. Such a consummation would be of great international importance, since it would provide a

precedent for future settlements with other countries, especially Great Britain and the United States, in whose case the old claims are a serious obstacle to normal relations. Of even greater importance because of its bearing on the whole European problem is the proposed non-aggression pact. Russia now has similar pacts with Germany, Turkey, Lithuania, Persia and Afghanistan; but save in the case of the first named they are not of large international significance.

A Franco-Soviet treaty of this character would introduce a new and important factor into the alignment of European States. It would increase France's security with respect to Germany by removing the danger of a German-Soviet alliance inimical to French interests; and would, therefore, affect French policy toward the Reich. By destroying the strategic importance of the Soviet Union as an aid to the bloc of States striving for a revision of the Versailles treaty it would affect the strategy of the Central European powers and of Italy. It would

constitute a great advance toward stabilizing Soviet relations with her Western neighbors, and especially with Poland, whose present relations with the union are a serious threat to peace. Poland as an ally of France has been kept informed of the present negotiations and has publicly expressed her hearty approval of their purpose. A Franco-Soviet pact of non-aggression would soon be followed by a similar agreement between Poland and the Soviet Union, thus accomplishing what the Soviet Government has been unable to achieve in five years of direct negotiation with the Polish Government.

Judging from the confident tone of the Russian press, there is every reason to believe that these treaties with France will be concluded early in the Fall. The whole negotiation indicates that Soviet foreign policy has undergone an important change, probably as a result of Germany's economic difficulties and the consequent undermining of her position as a make-weight against France in European politics.

## Syria's Hopes of Home Rule

**T**OWARD the end of August it was reported that France was about to renounce her mandate

over Syria and at the same time negotiate a treaty of alliance with that country. Officials in Paris declared promptly that the report was "inexact and premature." Considerable time must elapse before such a plan, which indeed is contemplated, can be carried into effect.

The Syrian mandate was awarded to France by the Supreme Council at San Remo on April 25, 1920. An organic law was to be promulgated within three years, providing for ultimate independence at an unspecified date. Owing to the unwillingness of a large fraction, or rather the ma-

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jority, of the inhabitants to accept French control, the organic law was deferred and finally issued in separate parts in accordance with the French plan of governing Syria in subdivisions. The Lebanon was given a constitution in 1926. After an attempt to obtain a constitution for the Damascus and Aleppo areas, which the French call the Syrian State, M. Ponson, the High Commissioner, promulgated in May, 1930, a group of organic laws for the Syrian State, Alexandretta, Latakia and the Druse Mountain, together with a limited unifying plan through a "conference of common interests." The election of legislative bodies under the schemes of 1930 has been deferred,



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but the conference of common interests was assembled by M. Ponsot at Beirut on May 28 mainly to hear his analysis of the situation.

The High Commissioner affirmed that the economic situation of the States under mandate presented favorable elements. Much progress had been made, especially in public works. France had carried the expenses connected with security, amounting to \$12,000,000. The general economic crisis, though felt less in Syria than in many other countries, has caused a decline in revenues. The continuance of large public projects suggests the use of credit. This led the High Commissioner to say that, in order to secure credit, the Syrian States should be advanced into "a definitive international position," which appears to mean some unified organization, which would be admitted to the League of Nations, but with due regard to the paramount influence of France. M. Ponsot promised to work in this direction during his approaching visit to France.

The French Government reported to the League of Nations that the present process of evolution points to the termination of the Syrian mandate "at a not very distant date." On Sept.

4 the Council of the League congratulated the French on their progress. The substitution for the British mandate over Iraq of a treaty with Great Britain was discussed at the same time, suggesting an analogous situation in the two regions, and a measure of rivalry between Great Britain and France as regards the time of transforming the mandatory control into a larger degree of self-government.

The rival Patriarchs of Antioch, Alexander III and Arsenios, both continued to function after the decision of Bishop Chrysantes of Trebizond in favor of the former. Partisans of the latter, believing that they enjoyed the preference of the French, desired to leave the decision to the High Commissioner, as filling the place of the Ottoman Sultan, who had formerly sometimes solved similar problems. Alexander's party appealed again to the Patriarchs of Constantinople, Jerusalem and Alexandria, who sent delegates. After careful consideration, the three delegates on June 30, 1931, again supported Alexander, but Arsenios declined to accept the decision.

This dispute is in part connected with the desire of many Greek Orthodox of the Lebanon to set up an autocephalous Church in that State, free

from the control or influence of the Greek Orthodox of the Syrian State.

During the Spring a boycott was developed in Beirut against the company which supplies electricity, on account of high charges for the use of current and on the street railways. The company yielded, first by reducing rates for current and then by lowering fares, with an especially small charge in the morning when laborers are going to work. The "boycott committee" was sent to prison, and the electric services were once more brought into use. Politicians intervened to some extent, endeavoring to blame foreigners, and especially the French.

#### UNREST IN PALESTINE

The report that not only Iraq, but also Syria might soon cease to be mandated areas was encouraging to the Arabs and disappointing to the Jews in Palestine. The Arabs maintain that if the Balfour declaration were out of the way, or modified so as to eliminate political Zionism permanently, there is no reason why Palestine should remain the only Near Eastern region under mandate. To the Jews the prospect is most undesirable, for they constitute a minority in Palestine, surrounded by much larger independent and Arab States, which would resent the holding back of their compatriots for the sake of the Jews. All Palestinian Jews except extremists can see no hope ahead except through cooperation with the British and the Arabs.

During August there was a marked growth of the agitation arising out of the provision by the British Government of sealed armories in outlying Jewish settlements, to be opened in case of Arab attacks. The government claims to have pursued this policy for ten years. However that may be, an Arab conference, called apparently by the Moslem Young Men's Association, and not approved by the Arab executive (which the young men

feel to be too easy-going), met at Nablus on July 31. The 300 delegates resolved to hold a demonstration on Aug. 15, to appeal to neighboring countries, and to ask the High Commissioner for equal treatment, either by disarming the Jews or arming the Arabs also. Excitement increased, and on Aug. 5 the government ordered the cessation of agitation, issuing a warning that penalties would be inflicted on newspapers and speakers if necessary. Twelve Arab newspapers, in protest, resolved to suspend publication from Aug. 10 to 17.

Meantime, a different form of trouble developed, in which Arabs and Jews alike opposed the government. The duty on gasoline and automobile accessories and the fee for drivers' licenses had been increased, and in protest, 7,000 drivers organized a one-day strike for Aug. 7. The government mobilized police and soldiers and prohibited picketing, and the day passed peacefully.

The executive committee appointed by the Nablus conference next petitioned the government for permission to hold meetings on Aug. 15. The government refused, and severe tension developed throughout the country, the Jews fearing a repetition of the conflict of 1929. When Aug. 15 came a few young Arabs demonstrated noisily, but did no harm.

The Arab executive then came into action. After a stormy debate on Aug. 17, a resolution was passed rejecting the British Government's development scheme, for which a loan of \$12,500,000 is proposed, as a temporary palliative which would do little good and burden the country with taxes. On Aug. 17 the executive called a general strike of Arabs for Aug. 23, the second anniversary of the troubles of 1929, in protest against the sealed armories and other alleged abuses. On Aug. 22 the government arrested at Nablus two leaders of the Nablus conference, and another at Hebron. The populace at Nablus in-

terfered, and some were injured. The trouble there continued through the following day and at one time the police fired on the crowd with shot guns, inflicting some casualties. Moslems in the older parts of Jerusalem obeyed the strike order, but without violence. Sixty citizens of Nablus were arrested, and most of them sentenced to imprisonment for illegal assemblage.

In the report of the Mandates' Commission of the League of Nations to the council, released on Aug. 24, earnest hope was expressed "that new endeavors to solve the problem between the Jews and the Arabs will be crowned with success." Questions were raised about the extent of economic improvement in Palestine, and doubt was expressed as regards the right of the mandatory powers to conclude the pipe line agreement for transporting oil from Iraq.

Zionists expressed relief at the fall of the British Labor Government and the replacement of Lord Passfield by Mr. Thomas, whom they expect to take a more favorable attitude toward the Jewish national home.

Damianos Kassiotis, Greek Orthodox Patriarch of Jerusalem, died there on Aug. 14 in his eighty-third year,

after occupying the position since 1897.

#### EGYPTIAN AFFAIRS

The Egyptian Attorney General on Aug. 11 absolved the government completely from charges of coercion and false ballots at the recent election. This expected result was apparently obtained by refusing to hear witnesses, except a few who bore testimony against the opposition.

The outcry against the severe press law was met by a promise to amend it when Parliament meets again, particularly as regards its treatment of foreign newspapers. Parliament was prorogued on July 21.

The fall in the price of cotton has concentrated attention upon the economic distress of the country. The government attempts to help the railways by adding 4 cents per gallon to the tax on gasoline. At the same time roads are being improved, and a new road is proposed to run straight across the desert from the Great Pyramids to Amria at Alexandria, reducing the distance by about thirty-five miles, or one-fourth.

The government has requested that the budget be reduced by at least 5 per cent.

## China's Flood Disaster

**D**EVELOPMENTS in the foreign and domestic political relations of Far Eastern States took second place during August to news of appalling floods in the valleys of the Yangtse and Hwai Rivers in Central China. The area centring in Hankow, sometimes called China's potential Chicago because of its situation at the cross-roads of north-south and east-west traffic, was inundated by the overflow of the Yangtse, swollen by exceptionally heavy and long-

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continued rains, and 25,000 square miles of Hunan and 35,000 square miles of Hupeh were deeply flooded.

Other provinces, particularly Szechuan, Kiangsi, Anhwei, Shantung and Kiangsu were also affected. At the great city of Hankow, with its 1,000,000 inhabitants, the depth of water was five feet on the highest ground and about twenty feet on the lowest. The bund or wharf, at the flood's highest point, lay seven feet six inches under water.

A report presented to the Foreign Missions Conference of North America by the National Christian Council at Shanghai at the end of August gave the following estimates: 15,000 persons drowned, 400,000 dwellings destroyed, 15,000,000 people homeless and facing starvation, 50,000,000 people seriously affected.

The problem of relief engaged the interest of local, national and foreign governments and private agencies. In China the Chinese Flood Relief Association sought to raise a relief fund of \$500,000 silver. The Nanking Government created a National Flood Relief Commission with supreme power to coordinate and supervise relief operations. Minister of Finance T. V. Soong was chairman of the commission, and John Earl Baker, American adviser to the Ministry of Railways, was an associate.

Wealthier residents left Hankow by boat before the flood reached its height, but the poor had to rely upon their own efforts or those of the military forces. Wuchang became the relief centre for many thousands. Anticipating a plea from the Chinese Red Cross, the American Red Cross gave \$100,000 through the Department of State. The Pope sent \$50,000 silver and relief funds were raised in Japan and among Chinese abroad. The Chinese Government officially inquired as to the willingness of the Federal Farm Board to sell on liberal terms a substantial quantity of wheat for relief, addressing its inquiry to the State Department through the American Consul at Nanking. The arrangement finally agreed upon is discussed on page 107 of this magazine. An offer of the League of Nations, Public Health Section, to send epidemiologists and supplies from public health services in India, Indo-China, the Dutch East Indies and Japan to cope with epidemics which were apprehended from the waters befouled with the dead bodies of human beings and domestic animals was ac-

cepted by the government, which also was to be aided by the China International Famine Relief Commission. A nation-wide movement to aid the millions of homeless Chinese was inaugurated on Aug. 25 in New York City by the Foreign Missions Conference of North America. It was estimated that \$10,000,000 gold would be needed.

#### *COLLAPSE OF THE "GRAY GENERAL'S" REVOLT*

The July revolt of the "gray General," Shih Yu-san, collapsed during the first week in August under the triple threat of armies sent against him by the National Government, the Peiping commander, General Chang Hsueh-liang, and a Shansi faction headed by General Shang Chen. The assistance of the last-named apparently was induced by a decision of the Nanking Government to float a bond issue "for the rehabilitation of Shansi currency." Shih Yu-san was not captured, but apparently at least a part of his forces fled into Shantung and was incorporated in the army of General Han Fu-chu, Governor of the province.

Former Governor Yen Hsi-shan of Shansi paid a visit to his old province and it was feared that this portended a new coalition between him and General Feng Yu-hsiang and the return of Chang Hsueh-liang's forces to Manchuria. Yen, however, returned to Dairen, Manchuria, within a few days. An offer of Chang Hsueh-liang to give over control of Southern Hopei to certain Shansi Generals was suggested as an explanation of his return.

The easing of the tension in North Central China by these developments was accompanied by continued successes against the Kiangsi Communists, who were reported broken up into small bands without effective striking power. Government reports asserted that all Communist strongholds in Kiangsi had been captured. Statistics as to the number of Communist soldiers taken did not bear out

the optimistic claims of the government.

At Canton, seat of the opposition National Government, Wang Ching-wei was reported as having stated on Aug. 5 that his faction was launching expeditions into Hunan and Kiangsi provinces against the recognized government. General Hsu Shung-chi was offered the post of commander-in-chief of Canton's forces. Troops moved toward Kiangsi but failed to penetrate the province. In Tokyo, Eugene Chen, Canton's Foreign Minister, spoke of President Chiang Kai-shek as a "pocket Napoleon" and his policy as one of pin-pricking Japan to war. He reaffirmed the assertion of his junta that they were not seeking to separate their country into parts but to abolish one-man dictatorship. The fiery and fertile-minded journalist-statesman declared: "We do not believe in having a highly centralized government for China. Attempts to create one simply result in dictatorships which cannot enforce their authority. The existence of provincial forces is a fact of the situation and, if it is not recognized, civil war will be eternal, for the central government does not possess communications enabling it to move large forces. We can come to an agreement with provincial generals which will eliminate civil war and give China peace in which to develop." The appointment by President Chiang Kai-shek of General Chen Ming-shu as "Pacification Commissioner" for Kwangtung province was interpreted to indicate an intent on Nanking's part to carry war into the territory at present under the control of the Canton Government.

The judicial board of the National Government took over the mixed court in the French concession of Shanghai on July 31, in accordance with a recent treaty between China and France. Thus Chinese control over cases in which Chinese are defendants, recently secured in the In-

ternational Settlement, became effective also in the concession.

#### FORMER JAPANESE PREMIER'S DEATH

Former Premier Yuko Hamaguchi of Japan died on Aug. 26 from the effects of the wound received on Nov. 14, 1930, at the hands of a "patriot." His death was the price he paid for his courage in ordering the Japanese delegation at the London naval conference to sign the treaty limiting naval strength. His action was generally endorsed by the people of Japan, but a section of the naval clique could not be reconciled.

The settlement of the related Manchurian and Korean "incidents" of July was delayed. China pressed for an indemnity, punishment of guilty persons and an apology. Japan previously had expressed regret but had refused to pay indemnity, although it promised to compensate injured persons or the families of those massacred. Both governments were more conciliatory than their constituencies. The Chinese Minister to Japan, Wang Yung-pao, reported that in the riots in Korea 375 Chinese were injured, 119 killed and 82 missing.

At Tsingtao, Shantung, on Aug. 18 a mob of Chinese attacked Japanese shops and the Japanese Ronin Club, an organization of "patriots" similar to the assassin who killed Hamaguchi. These intensely nationalistic Japanese are principally responsible for the impediments placed in the way of Foreign Minister Shidehara's policy of conciliation with China. At Tsingtao the Ronin Club supported Japanese fishermen who had been deprived of a market by a boycott of Chinese fish dealers. Chinese police prevented the mob from killing any Japanese but other outbreaks were feared.

A so-called Major Industries Regulation Law went into effect on Aug. 11. Under it the government was empowered to form cartels or pools and to assist industries deemed unable to operate successfully alone.

# TO AND FROM OUR READERS

[The Editor invites comments, within 100 words, on articles which appear in the magazine. Anonymous communications will be disregarded, but the names of correspondents will be withheld from publication upon request. The Editor assumes no responsibility for unsolicited manuscripts unless accompanied by return postage.]

PROFESSOR HAROLD S. QUIGLEY of the University of Minnesota, who contributes the monthly survey of events in the Far East to CURRENT HISTORY, has been invited to be one of the delegates from the United States to the fourth biennial conference of the Institute of Pacific Relations at Hangchow, China, from Oct. 21 to Nov. 4. During Professor Quigley's absence the article on the Far East will be supplied by Mr. Ralph Norem of the Department of Political Science, University of Minnesota.

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## OVERPRODUCTION IN THE PROFESSIONS *To the Editor of Current History:*

My attention has been called to an article in your August issue, "Overproduction in the Professions," by T. Swann Harding, especially certain statements with reference to the engineering schools of Purdue University. The author, in discussing chemical engineering, states: "In a bulletin issued in 1930, Purdue University said that only 37 per cent of its chemical engineering graduates were in the profession thirteen years after graduation." Reference is here undoubtedly made to a pamphlet, "Engineering As a Career," issued in November, 1930. On page 13 the following statement is made:

"The graduates of the School of Chemical Engineering have been and are successfully filling positions of responsibility and authority in all parts of the world. An average, taken over a period of thirteen years, shows that 37 per cent are engaged in strictly engineering work. Their positions range through general chemical engineering practice, work with petroleum, gas and by-products, and research, to consulting engineering. Seventeen and a half per cent are serving in the capacities of assistant chief and chief chemists, or of analytical and research chemists. Seven per cent have responsible positions as metallurgists in the metal industries. The present indications are that the proportion of chemical engineering graduates going into metallurgical work will show a marked increase. Twenty per cent of the chemical engineering graduates hold executive positions. Seven per cent are conducting their own business establishments, 3½ per cent are teaching, and 3 per cent are graduate students and research fellows."

This accounts for 80 per cent of our graduates at the time of compilation of the statistics. The great majority, not only of chemical engineering graduates but of all engineering graduates of this institution, continue in the engineering field. Only about 7½ per cent of Purdue University engineering alumni are in non-engineering occupations. I am certain that in the case of Purdue Chemical Engineering graduates the number remaining in the profession is even better. The specific statement of the author referring to chemical engineering graduates, as well as his further remarks with reference to this institution, are evidently intended to convey an impression, contrary to the facts as given. H. C. PEFFER.

Head, School of Chemical Engineering, Purdue University.

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## *To the Editor of Current History:*

Mr. T. Swann Harding's article in the August number of CURRENT HISTORY, "Overproduction in the Professions," is helpful to a better understanding of the problems that beset workers in the higher realms. Truly, unemployment and impaired earning power are not confined to those

without specialized training! Mr. Harding's contribution is especially valuable for the unusual amount of factual material he uses as well as for its timeliness. As one actively engaged in agriculture, I am indebted to Mr. Harding and CURRENT HISTORY for pointing out the alarming dearth of veterinarians.

WENDELL F. FARRINGTON.

Livermore Falls, Me.

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## THE LICENSED WOMEN OF JAPAN *To the Editor of Current History:*

Mr. Penlington's article on "The Licensed Women of Japan," in September CURRENT HISTORY, was peculiarly interesting to me because I happen to be familiar with the incident which led the Rev. Mr. U. G. Murphy to support the cause of these women when he was a Nagoya missionary. At that time the girls' employers were accustomed to offer rewards for the capture and return of runaways, and when one unfortunate ran screaming into the Murphy home, followed by a half dozen ruffians intent on a reward, Murphy drove the intruders out and rescued the girl. He was taken to court and fined for his interference, but appealed the case to the Home Department and was finally vindicated in a decision that resulted also in the release of 10,000 of these women during the following two years. This was the affair that involved Murphy in the fight which made him famous in Japan. If he never did anything else in his life, he did not live in vain.

W. E. JOHNSON.

McDonough, N. Y.

\* \* \*

## THE SOVIET WORKINGMAN *To the Editor of Current History:*

I have noted with great interest the article in August CURRENT HISTORY by Vincent Vocovich on "The Workingman in Soviet Russia—the Grim Story of His Misery." It is gratifying to read material written by some one who has worked and lived in the Soviet Union, rather than an article based on theory, bolstered up by a thirty-day trip through Russia in the hands of a Soviet-trained guide.

After living and working in the Soviet Union for approximately fifteen months as a member of a commission of American engineers, I voluntarily severed my connection with the commission and returned to the United States at my own expense.

Communism as it exists in Russia today is not communism or socialism at all, but simply the exploitation and mechanization of human life to an unparalleled degree. The sole aim and motive of those who compose the controlling group in the Soviet Union is to effect the complete destruction of the present world civilization. The main purpose of the Five-Year Plan, aside from the all-important one of world destruction, is to enable the Soviet Government to obtain enormous credits for the carrying out of their nefarious schemes. The establishment of credit and diplomatic relations with the United States is highly essential for the continuance of the Soviet regime. The presence of groups of Ameri-

can engineers in the Soviet Union is used in the propaganda of the Soviet officials in their desperate attempt to obtain credit.

The intelligentsia of Russia is being destroyed to the last man by means of a definite Five-Year Plan of the OGPU, which runs concurrently with the Five-Year Plan of industrialization. At the end of this plan the engineers, professors, doctors, teachers, lawyers, rich merchants, nobles, priests and rich peasants of the former regime will have been put to death. This is considered necessary to completely eliminate any and all trace of the Russia of Czarist days. The entrance of each foreign engineer, technician or specialist into the Soviet Union is in accordance with this plan of destruction, and permits the OGPU to carry out its schedule of imprisonment and execution of its own intelligentsia.

Every person working for the Soviet Government, or dealing with it in any way, is working against the best interests of the United States, against our institutions, doctrines, principles, and the very existence of the nation.

Chicago, Ill. JAMES H. WATT.

\* \* \*

#### A READER'S APPRECIATION

To the *Editor of Current History*:

CURRENT HISTORY is one of the few magazines I buy. Slender means leaves a slender choice, but I get along very well with your magazine. From this you can gather that this letter is one more tally to your list of appreciative readers. The daily papers keep me up with events, but my opinions are hardly more than tentative until I have read what CURRENT HISTORY has in the way of throwing light on the subject. The excellence of the articles has been growing recently, though they were of a high standard all the time. The policy of printing articles in groups, throwing light on different phases and opposing sides of the same subject, is a fine one, and should be continued and extended. Above everything else, I must commend you for successfully and intelligently conducting one of the finest periodicals in the country, answering a real need, and doing it well. BENJAMIN LEFF.

Chicago, Ill.

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#### THE FRANCO-GERMAN CONTROVERSY

To the *Editor of Current History*:

No more valuable and timely contribution to historic truth and international fairness has ever been published by CURRENT HISTORY than the well-balanced reply of Dr. Hermann Oncken to M. René Pinon in your August issue. Yet I would point out the particular fallacy of one of the Frenchman's "arguments" which Dr. Oncken did not take the trouble to refute, but which is singularly misleading.

According to M. Pinon, the return of the Polish Corridor to Germany would be unfair to Poland because of the vast Polish majority of its inhabitants. Why does M. Pinon conceal the scandalous fact of how that majority has been created? In 1919 there was a German majority, with 1,200,000 Germans who had resided there for generations. But 800,000 have since been driven out of their homes, directly or indirectly, by Polish methods fortunately unparalleled in modern times. Almost penniless, the outcasts have become an additional burden to the mutilated Reich. Hordes of Galicians and other Congress-Poles were, on the other hand, transferred to the Corridor and given confiscated German property by the Polish Government. This is M. Pinon's vaunted "Polish majority." By such measures a national minority could anywhere easily be transformed into a majority. The absurdity of basing

claims on such tactics should be evident to any clear-minded observer. WILLIAM H. H. ROTH.  
Himeji Imperial Japanese National College.

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To the *Editor of Current History*:

In "To and From Our Readers" in your September issue, Dr. René W. Pinto questions the soundness of Professor Oncken's placing the major responsibility for the war of 1870-71 on Napoleon III. Dr. Pinto says it was Austria and not France that stood in the way of Bismarck's policy of political unification of Germany. This was true only until 1866, at which time Austria, defeated at Sadowa, had to cede leadership in German affairs to Prussia. It was a purely German question, and did not concern France in any manner. Bismarck, great statesman as he was, was wise enough not to humiliate Austria, and not a square foot of territory was taken from her. But what was France's attitude? She professed to be outraged and insulted because a German State had dared to settle an exclusively German affair without asking her consent. The French Government claimed that France should be compensated on the Rhine or in Belgium. From 1866 to 1870 the Paris newspapers kept up the cry of *Revanche pour Sadowa*, although not a single Frenchman took part in the battle and although Austria and Germany have been friends since that time.

What Napoleon wanted was plain enough. His prestige had been badly damaged by the failure of his Mexican experiment. He needed a victorious war to strengthen his throne and his Generals had assured him that victory over Prussia would be easy. Eugenie, his Empress, was delighted to have what she called *ma petite guerre*. There are but few instances in history when a nation went into war more light-heartedly and confidently than the French into the war against Germany in 1870. By her unreasonable demands in the Spanish question France made it plain that she wanted either to humiliate Prussia or to force her into war. Dr. Pinto's assertion that the North Germans were driven to attack France is entirely at variance with the facts. France not only provoked war but also declared it, and French troops occupied German territory before Germany could collect an army. It was unfortunate for France and Napoleon III that in Bismarck they were facing a statesman who through his intimate understanding of French character had been able to foresee coming events and had prepared for them by strengthening the army.

R. SCHELLENS.

Los Angeles, Cal.

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#### THE COUNTRY DOCTOR

To the *Editor of Current History*:

The writer of "The Country Doctor" in the September issue of CURRENT HISTORY was apparently more concerned to write an interesting story than to draw an accurate picture. If such a "country doctor" exists in this country, he is a rare product and wholly atypical. I am a physician, have lived and practiced in the country, and know something of country physicians. I have never seen, known, or heard of the kind described by the writer of that story. Such writing should come under the head of fiction rather than of history, ancient, mediaeval, or modern.

When did the removal of gall-stones get to be so urgent that it should be necessary to remove them by the light of a dashboard lamp rather than to wait for the light of day—something of a grandstand play! And such an operation is not so simple under the most favorable conditions.

If there are to be descriptions representing country life, they should be of

the general or average type, not of the rare or imaginary. E. W. HUNTER.  
Greenwood, Miss.

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#### THE LANGUAGE WAR IN BELGIUM

To the Editor of *Current History*:

I have just finished reading "The Language War in Belgium" in your September number. It is an interesting and valuable discussion because of M. Laurent's clear account of the background of the conflict. During four years of teaching modern history I have used three textbooks, and each of these gives an erroneous impression of the causes of the Belgian revolution in 1830. All stress the fact that the Dutch were Germanic in race, civilization and language, while the Belgians were Latin. These differences, moreover, seemed to impress my pupils more than those of religion and economics.

After my first visit to North Belgium I modified what the textbooks stated because I saw that a people speaking little and bad French in 1930 had not revolted to preserve French civilization in 1830. In M. Laurent's article I find, for the first time, a clear explanation; I am especially glad that he pointed out that the Walloons led the revolution in the upper classes, and that the present language controversy is largely a class war.

It seems to me important that teachers and writers of textbooks of history should remember the present serious problem of language in Belgium, and avoid generalizing about the causes of the break with Holland a century ago.

I want to say I find your magazine invaluable in my teaching. My pupils read it regularly, and I am able to assign a good many articles on current topics from it as well as to make reference to back numbers in my files. The cartoons and the month's world history are especially valuable to teachers. CATHERINE BOHLEN.

Washington, D. C.

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#### GOVERNOR RITCHIE ON UNEMPLOYMENT

To the Editor of *Current History*:

The contribution in your September issue by Governor Ritchie, "Unemployment: A Challenge to Industry," will command most thoughtful consideration. The author shows he has given care not alone to the problem but has scrutinized the remedies by which it may be solved. His conclusions are that the test of the plans to date are "unsatisfactory." Speaking of England's experience, he says: "This necessitated tremendous drains upon the national treasury." As to Germany, he adds: "Although it is too early to judge the final results, the whole plan is generally conceded to be unsatisfactory and to impose an incubus on the treasury from which the German Government must be relieved."

Convincing as the argument is, it must be confessed it is lame in its final conclusion. "Industry exclaims against a dole for unemployed labor. No sensible person wants a dole." Apparently the problem grows upon the author and he says, as though discouraged in a satisfying solution: "We are at the cross-roads. Not the American people, but American industry must choose the way." How? There's the rub.

It could have been wished Governor Ritchie had not felt impelled in fact to give over the solution in these words: "Along the other road lies the ultimate certainty of legislation which may prove hurtful to business itself and to the community, a drain on the public treasury, and a departure from American institutions. Fortunately, there is still time to choose wisely. But if business will do nothing about it, then government will."

"If business will do nothing about it, then government will" do something! Governor Ritchie does not even venture a surmise what that "something" will be, or may be. BRUCE L. KEENAN.

Tahlequah, Okla.

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#### THE BUSINESS DEPRESSION

To the Editor of *Current History*:

Whiting Williams's article on "How Industry Is Reacting to the Present Depression" in your August number is in his best vein. That means that he is keeping up to date his face-to-face analysis of industrial conditions and his sound, conservative proposals for industrial progress and social welfare. Mr. Williams deserves his high place as an industrial statesman because he refuses to be a doctrinaire. Year after year he has faced conditions squarely, intelligently and constructively with practical recommendations. He is entitled to a wide reading and as a supplement a considerate hearing. He knows what he talks about.

FRED A. MOORE,  
Executive Director, Adult Education Council of Chicago.

\* \* \*

To the Editor of *Current History*:

Whiting Williams has not only a large background of experience in the field of employment and unemployment, but thinks, and then is able to express his conclusions. I am in hearty accord with them.

I think one gets the impression from the article, however, that a larger percentage of industrial management is taking the broad point of view which he expresses than I think perhaps may be the case. Management can do much more than it has done for stabilizing employment, but it will do more when it can be brought to feel its responsibility for stabilizing unemployment. Unless management does it, governments are likely to do it under some form of insurance. It is far better for management to do it itself so far as it is in its power.

HENRY P. KENDALL.  
Boston, Mass.

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#### THE CHINESE CONSTITUTION

To the Editor of *Current History*:

Professor Quigley's digest of the Chinese Provisional Constitution in June CURRENT HISTORY is too slight. The document consists of eight chapters and eighty-nine (not sixty-nine) articles. The chapters are devoted to the following heads: (1) A preamble devoted to Dr. Sun Yat-sen; (2) a bill of rights; (3) the policies of the period of tutelage; (4) labor; (5) education; (6) (a) powers of local and central governments, (b) organization of central government; (7) organization of local government, and (8) appendix containing amendments.

Y. C. SHEN.  
Los Angeles, Cal.

Continued from Page VII

"constructive sedition in the State of those who accept it," the papal encyclical of Jan. 11, 1930, on education, and the Italo-Vatican agreements of Feb. 11, 1929.

The civil crisis in Malta which led, a year or more ago, to suspension of the colony's Constitution and of the entire parliamentary and electoral system was induced primarily by disorders incident to a heated conflict between the secular British authority, represented by Lord Strickland, and the Holy See, represented by the Maltese Bishops. Though himself a Roman Catholic, Lord Strickland pursued policies in the island which made him *persona non grata* to the Vatican, and on account of this fact the Bishops, with full support from Rome, warned all Catholic electors against voting for candidates favorable to the proscribed Minister-President, on penalty of being refused the sacraments. In this bold action Mr. Marshall sees precisely the sort of interference with civic liberty which he considers to be inherent in the Roman Catholic position. It may be added that the British Government agrees with him.

The candidacy of Alfred E. Smith is bracketed with the far-off Maltese crisis for the reason that when the Governor made his fa-

mous declaration (in a public letter appearing in the *Atlantic Monthly* for May, 1927) that he recognized no power in his Church "to interfere with the operations of the Constitution of the United States or the enforcement of the law of the land," the hierarchy of the Church and the Holy See itself were "significantly silent" as to the validity of the views expressed, and, more particularly, because hardly was the election over before a succession of pronouncements began to issue from the Vatican in which all of the principles affirmed by Mr. Smith as integral in the creed of an "American Catholic" were expressly, or in effect, denounced or repudiated by the Pope. Mr. Marshall credits Mr. Smith with full sincerity, and with the most honorable intention, if elected, to act in harmony with the views he had expressed. Nevertheless, the views themselves, our author is certain, were quite out of line with the doctrines of Roman Catholicism as expounded and enforced by the Holy See.

In the first of his three new chapters Mr. Marshall pays his respects to the doctrine of the Holy See that heresy should entail civil outlawry, to the claim of the Church to override statutes and judicial decisions by pro-

Continued on Page X

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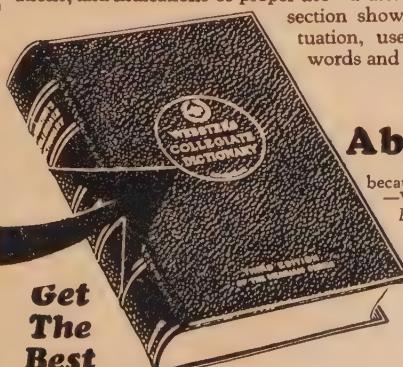
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*Continued from Page IX*

nouncing them "not binding in conscience," and to the Roman Catholic construction of oaths of allegiance as being taken with the mental reservation that the fealty pledged shall not extend to laws pronounced null and void at the Vatican. The second of these chapters touches upon the encyclical on education and makes one or two telling points, although the analysis is too sketchy to satisfy and the argument from comparative statistics of illiteracy too broad to be convincing. Discussion, in the final chapter, of the three Italo-Vatican agreements of 1929 (the Treaty, the Financial Agreement and the Concordat) is directed to the point that the attempt to restore to the Pope the dual sovereignty—political and ecclesiastical—which so effectively advanced the power of the papacy in the Middle Ages is calculated to "arouse much doubt and more apprehension." Recent occurrences have at least confirmed the author's opinion that, notwithstanding the outward amity of the settlement, the high contracting parties entertain widely differing understandings of its meaning.

This book is no mere product of an obsession. There is an ultimate and fundamental issue between the modern State and the Roman Catholic Church; and Mr. Marshall has described it intelligently, if not always quite dispassionately. For that matter, however, there is an issue between the modern State and all corporate bodies, religious or otherwise, which claim authority not derived directly or indirectly from the State itself. Even if churches alone be taken into account, the extent to which adherence to cult may be inconsistent with loyalty to the State is not a problem in relation to any single church. The Anglican Church—to cite but one example—has taken a position on international war which creates precisely the impasse deplored by Mr. Marshall in connection with Roman Catholicism. If the author had treated his subject in the light of this broader situation, his book would carry greater weight with students of contemporary political problems.

## The Great Trek

By ROBERT E. RIEGEL

Author of "America Moves West"

**THE GREAT TREK.** By Owen Cochran Coy. Illustrated by Franz Geritz. California Series. 349 pp. Los Angeles: Powell Publishing Company. \$5.

FOR at least a century California has been enveloped in a golden haze of romance which has fascinated many American citizens living in the more prosaic regions further east. Over a century ago the lure was cattle and furs. Then came the gold, the mining

towns and the vigilance committees of the boisterous period of California history. Today it may be the stories of fabulous Hollywood salaries, the miraculous growth of Los Angeles or possibly only the air and the gold of the sunshine, but still California calls to the energetic and hopeful youth of the nation. The California booster has been as inherent a part of the history of the Golden State as has the Golden Gate, and apparently no one ever lives in California without becoming an enthusiast and desiring to proselytize the more unhappily situated population of the rest of the world. Unkind skeptics have been heard to comment that misery loves company, but most people take the California claims more seriously, so that California has become the mecca of Iowa farmers, not to mention its attraction to other and poorer residents further east.

Possibly one of the great reasons why California has seemed so attractive has been its propensity to bestow large wealth to a lucky few of its citizens. Every one realizes the existence of poverty-stricken miners and that not every Los Angeles land speculator makes a fortune, and yet the possible chance for quick and easy wealth vastly outweighs the much greater chances of complete failure. Among the most fascinating of gambles has always been that of gold mining, not because such mining is necessarily highly profitable, for such is not the case, but because gold is often found in an uncombined form and is itself the basis of our currency, so that an ounce of gold looks more opulent than a ton of iron. The result of this situation in the field of history has been the production of many good and interesting accounts of the development of our various mining fields, and a remarkable paucity of stories of the rise of pork packing, of shoe making, of wheat milling and other similar and more humdrum occupations. Part of the difference has been a result of the comparative amount of records in each case. The meat packer was engaged only in an ordinary line of business and therefore left but the ordinary written residue from a busy man's life. The gold miner, on the other hand, knew that he was having the most important adventure of his life, and consequently, no matter how tired and sick and dispirited he was at the end of a hard day, conscientiously sat himself down to make a record in his diary or to write his experiences to his family, his friends and to the girl back home. The result is that we now know more about the conditions of gold mining in California in 1849 than we will probably ever know about the much more recent development of the radio.

Professor Coy, in his book *The Great Trek*, tells but one phase of the story of the Forty-niners—that of their trip across the plains. The trip by sea, life in the mines and other

phases of the history of the State are left for the remaining volumes of the series called "California." Professor Coy has for the most part allowed the pioneers to tell their own stories, and he has shown great care and discrimination in his selections. In the course of the volume each important overland trail is described, while original accounts are given to show not only the route but also the characteristics of travel, including the principal difficulties and dangers. Owing to the excellence of the selection and to the clear and competent portions written by Mr. Coy himself, the various accounts have been welded into a clear and coherent whole. For the present reviewer the first three chapters—on the general history of westward migration, the Santa Fé trail and the Oregon trail—seem somewhat irrelevant, but undoubtedly opinions will vary. It is to be hoped that some of the rarer accounts and particularly some of the manuscript material which Mr. Coy quotes will eventually be printed. For any one interested in the overland trip of the Forty-niners, told largely in their own words, the book is to be recommended as well constructed, authoritative and interesting.

## The British Campaign in Mesopotamia

By LESLIE BRAYSHAW

MESOPOTAMIA. 1917-1920. *A Clash of Loyalties*. By Lieut. Col. Sir Arnold T. Wilson. The Oxford University Press. 1931. xvii, 420 pp.

THE first volume of Sir Arnold Wilson's book on the British campaign in Mesopotamia was entitled *Loyalties*. This second volume, dealing with the period 1917-1920, bears the subtitle, "A Clash of Loyalties." During these years the author was Civil Commissioner, the moving spirit of the British civil administration which ruled the country and sought to establish order after the defeat of the Turk.

Sir Arnold presents a racy and well-written narrative, based on his personal experiences and amplified by official documents and dispatches. But the march of events is never obscured by the detail. The book is the first easily accessible and complete account of departmental activities in Mesopotamia during these years, and the author has aimed to remove the misunderstanding of the policies and methods of the administration which became so vocal at the time. He shows how affairs were influenced, not so much by the desires of the people themselves or of the British representatives, as by events in Europe, Syria, Persia and Turkey. "In England," he writes, "the government of the day was distracted

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Continued from Page XI

by financial and political problems of the utmost gravity at home and abroad; the press gave no useful guidance in any direction; publicists offered little but the broken lights of sentimentalism and pacifism. The British Empire had won the war and in so doing seemed to have lost faith in its mission and belief in the obligation, imposed on it alike by self-interest and duty, to uphold the principles of authority and of good government for which it stood, until those principles had taken root and could be safely entrusted to an indigenous authority." Despite all difficulties, however, the civil administration arrived at results of permanent worth and laid the basis for efficient and just government.

The author pays high and well-deserved tribute to the capability and courage of the political officers, but the account of their sacrifices and loss of life during the risings of 1920 makes tragic reading. Among the causes of the risings Sir Arnold includes propaganda from Syria and Turkey which was rendered effective when the weakness of the British military position became apparent. On June 1, General Sir Aylmer Haldane, the British Commander, had at his disposal as a mobile force only 500 British and 3,000 Indian troops, and the realization of this weakness stirred hopes of the attainment of winning complete freedom from foreign control. The announcement of the long delayed peace terms with Turkey also had a bad effect on the people, especially as it came at the beginning of Ramadhan, for the tribes were led to regard the insurrectionist movement as a Holy War. The author also stresses as a contributing factor the procrastination in defining the status of Iraq, and the consequent maintenance of British control long after the armistice.

Sir Arnold is very frank in his criticisms and he makes quite plain the divergence of views between himself and General Haldane. He emphasizes the uncertainties due to the overlapping authority of Whitehall, the War Office, and the India officials; the scarcity of trained men, and the unfortunate local effects of the statements made by some European statesmen and the press. The United States Government also receives a share of the blame. The Anglo-French declaration of November, 1918, is condemned by the author as "a disastrous error, the perpetration of which was forced upon the Allied Powers by President Wilson; it encouraged aspirations among Armenians and Assyrians, Chaldean and Syrian Christians, which neither the Allies nor the United States did anything to further, nor did these powers do anything in later years to mitigate the penalty which the Armenians

suffered as a result of their confidence in Christendom and in the United States."

But it is inevitable that the official on the spot, faced by problems calling for quick decisions and immediate action, should be impatient of the slow processes of democratic government, and that the man who is threatened by hostile forces should condemn the more peaceful tendencies of citizens safe at home, especially when the absence of a show of force appears to stimulate the hopes of the opposing side. No arguments, however, will reconcile these points of view, and it is left to the historian to point the moral and return the verdict. The historian's task will be the easier for Sir Arnold Wilson's vivid account, for he is as fair as he is controversial, and he always gives good reasons for his opinions and presents all the available evidence. Apart from their bearing on the campaign in Mesopotamia and the birth of the Iraq Government, Sir Arnold's two volumes provide invaluable assistance in reaching an understanding of the situation in the Middle East and of the future possibilities.

## The Dictionary of American Biography

By RALPH THOMPSON  
*Current History Staff*

*THE DICTIONARY OF AMERICAN BIOGRAPHY.* Vol. VII. Fraunces-Grimke. Under the auspices of the American Council of Learned Societies. Edited by Allen Johnson and Dumas Malone. New York: Charles Scribner's Sons, 1931. \$12.50.

THE THERE is no shortage of certain American biographical dictionaries, elaborate and profusely illustrated octavos of, let us say, The Prominent Citizens of Aminta County, or Bankers of the Pacific Coast. There are also encyclopedias of a more objective nature which attempt to collect the significant data of significant Americans. Until 1928, however, no satisfactory compilation had been made. It was in that year that the American Council of Learned Societies undertook the work of which this volume is the seventh.

Nearly 300 experts have contributed, and their sketches concern hundreds of notable persons who, according to alphabetic accident, follow Samuel Fraunces, the New York tavern-keeper, and precede Thomas S. Grimké, brother of the famous feminist sisters. Engravers and die-sinkers, cabinetmakers, ethnologists, Bishops, professors of Latin, capitalists—all find their place. One may read of Sir Thomas Gates, Governor of Virginia, who died in 1621, or of Charles S. Gilpin, the Negro actor, who died last year. Gall, a war chief of the Hunkpapa Sioux, we learn, earned his soubriquet by actually eating the gall of an animal. William Jay Gaynor, Mayor of New

York City, admired Epictetus and Cervantes; John W. Gates (Bet-You-a-Million Gates) on the other hand, seems to have read but one book, *David Harum*.

General U. S. Grant is the subject of the most extended sketch of nearly ten pages. Christian A. Bach outlines the General's career until the end of the Civil War in a pleasingly concrete manner, stooping but once to such a colorless statement as that Grant in his boyhood days "developed the qualities that later marked him—fearlessness, self-reliance, resourcefulness, determination." From 1865 on the story is told by Frederic Logan Paxson, who pictures the national hero as unfortunate in his Presidency, his friends and his business—but none the less a great man.

Albert Gallatin, Secretary of the Treasury under Jefferson and Madison, enjoys in this volume a greater comparative prestige than has commonly been his. *The Encyclopaedia Britannica*, in its fourteenth edition, assigned to him less space than to Frémont, the explorer, or to William Lloyd Garrison; the editors of the D. A. B., however, have devoted to him nearly twice as many columns as they have to Garrison, and 50 per cent more than to Frémont. According to David S. Muzzey, writer of the article, "the services of this great financier, diplomat and statesman have never been adequately recognized by his adopted country. \* \* \* In intellect he was the peer of any of his contemporaries—as constructive as Hamilton, as astute as Jefferson, as logical as Adams, as comprehensive as Webster. And in that innate nobility of character which meets malice with charity and 'fears a stain as a wound,' he was without a superior."

Another marked recognition is that accorded Josiah Willard Gibbs, mathematician and physicist, who, judging from the space allotted him is nearly as significant in American biography as Jay Gould, Henry C. Frick and Elbert H. Gary combined. He appears, however, to be held a less important figure than Horace Greeley or Henry George. Others who are given sympathetic and rather full treatment are Robert Fulton, Cardinal Gibbons, Basil L. Gildersleeve, Samuel Gompers and Godkin of *The Nation*.

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Continued from Page XIII

Not only in dealing with great names is this volume remarkable. The mass of less famous Americans, who were as a rule interesting people, are handled in a praiseworthy manner. The editors of the D. A. B. have been wise enough to avoid both the ponderous and the adulatory by having their contributors write with life and objectivity. It was well, too, that living persons were excluded from the list of subjects, for otherwise it might not have been pleasant to outline the life and works of Zuinglius Calvin Graves, president of Mary Sharp College, Winchester, Tenn., in the same compass as the exploits of that sterling renegade, Simon Girty.

## BRIEF BOOK REVIEWS

*WASHINGTON MERRY-GO-ROUND.* Anonymous. New York: Horace Liveright, Inc., 1931. 366 pp. \$3.

This book is a characteristic piece of modern journalism which in its outspoken comments on Washington life and leaders is in some respects history. The author has little respect for any one in our capital and goes out of his way to attack. For instance, the House of Representatives and its personnel is described under a chapter heading, "The Monkey House." Nevertheless, most readers will find a good deal of truthfulness in his characterizations of outstanding personalities and will suspect that throughout the volume there is much justification for the author's acrid comments. In many ways this is the sort of book which will be read today with mental reservations, but which will be the source of many anecdotes for the future historian. The reader may doubt the truth of the story that the mustache of a noted Western Senator was clipped at the request of a social matron to whom he had given his heart, and that she clipped his eyebrows herself, but it is too good a story not to be accepted as fact by the future writer on Washington in the 1930s. But this particular yarn is one of the milder, pleasanter variety; much of the book is savagely hostile to our political leaders, at times unfair. Perhaps Secretary of State Stimson is the only administration man who comes off well, and even he suffers a bit of rough handling. But it is a book worth reading, to laugh over and to get angry about.

*THE POLITICAL STATUS OF BESSARABIA.* By Andrei Popovici. Washington: Ransdell, Inc., 1931. 288 pp. \$3.

Bessarabia, that land between the Ukraine and the northeastern boundary of Rumania, has long been disputed territory. Outlining the aspects of the dispute, Dr. Popovici, himself a Rumanian, explains that from 1812 to 1917 this province was under Russian rule, and that in 1918 it became a part of Rumania, by "free and true expression of the will of the overwhelming majority of the people." Soviet Russia, on the other hand, contends

that the union with Rumania was a forced one, and demands that the final national status be determined by plebiscite among the inhabitants themselves. The author feels that the return of Bessarabia to Russian rule would be a catastrophe, and sums up in defense of his point of view the unhappy history of the province in its earlier days and an account of its more fortunate present. Although the book is well documented, its critical significance is lessened by Dr. Popovici's admission that he was unable to study the Russian attitude at first hand through unfamiliarity with the language.

*PRINCE CONSORT.* By Frank B. Chancellor. New York: Lincoln MacVeagh, The Dial Press, 1931. Pp. 301. \$5.

When Queen Victoria married Albert of Saxe-Coburg, both were 21, and Albert's life was exactly half spent. His death in 1861 marked not only the close of the earlier phase of Victoria's reign, but also the end of a somewhat remarkable career. Mr. Chancellor has drawn a skillful picture in this biography, the first since the death of the adoring Queen. The beatified Prince Consort of legend and the Albert Memorial disappears into his proper atmosphere of make-believe, and in his place the author builds up the figure of a rather middle-class human being with intellectual leanings, who, "had he not been the son of a reigning Duke \* \* \* would probably have become a professor in a German University." It was not altogether simple, Albert's transplantation from a comparatively retired life of natural science, political economy and philosophy at Bonn to that of husband of his cousin, the Queen of England. The change meant alteration of personal habits, subjugation of personal desires. He had to establish himself in British eyes as more than a mere supernumerary; as he himself said, "the Constitution is silent as to the Consort of the Queen;—even Blackstone ignores him, and yet there he was, and not to be done without." Before he died he had more or less established himself with the nation, and quite completely so with his *liebes Frauchen*. His nine children were an achievement; so was the Crystal Palace. Winterhalter was his taste in art, Mendelssohn in music. If one would decry his passion for hunting and his bad taste in landscape gardening, one can admire his personal regulation of the Royal nursery, and the shrewdness which enabled him to accumulate over \$2,500,000 during his twenty years of married life. The Prince Consort was a man of character, and we are indebted to Mr. Chancellor for his delineation, which is both restrained and colorful. It is a suitable companion to Strachey's *Queen Victoria*.

*A GUIDE TO HISTORICAL LITERATURE.* Edited by William Henry Allison, Sidney Bradshaw Fay, Augustus Hunt Shearer and Henry Robinson Shipman. New York: The Macmillan Company, 1931. xxxiii, 1,222 pp. \$10.50.

Without guides similar in nature to the present one, modern historical scholarship would be even more difficult than it is. This guide

has been in preparation for eleven years under the general editorship of four noted American historians, assisted by many other historians and scholars. The result is an extremely usable guide to the history of all parts of the world in all periods of its development. The twenty-six general divisions of the guide are further subdivided into the fields of bibliography, geography, collections of source materials, standard works, special studies and so on. Critical notes which accompany many of the items listed add further to the guide's general usefulness and value. It is one of those books which must be in every public library which makes any claim to completeness and in the possession of all who move in the world of historical scholarship.

## RECENT IMPORTANT BOOKS

By MALCOLM OAKMAN YOUNG

### BIOGRAPHY

CONGER, A. L. *The Rise of U. S. Grant*. New York: The Century Company, 1931. \$5.

Based on primary sources. His development as a military leader is described.

KONKLE, BURTON ALVA. *Joseph Hopkinson*. Philadelphia: University of Pennsylvania Press, 1931. \$4.

A jurist who is little known, contemporary of Marshall and Webster. Concerned in such notable trials as the Dartmouth College case.

STRIEDER, JACOB. *Jacob Fugger the Rich; Merchant and Banker of Augsburg, 1459-1525*. New York: The Adelphi Company, 1931. \$3.

An interesting story of the great capitalist of the sixteenth century, and of his period. An individual of the North comparable to the Medici of the South.

REID, EDITH GITTINS. *The Great Physician: A Short Life of Sir William Osler*. New York: Oxford University Press, 1931. \$3.50.

Not meant to replace Dr. Harvey Cushing's authoritative two-volume biography, but in less space and with personal reminiscence the writer adds a first rate book on a fascinating subject.

### ECONOMICS

GRAS, NORMAN SCOTT. *Industrial Evolution*. Cambridge: Harvard University Press, 1931. \$2.50.

Fairly popular survey, interestingly written by an authority. Modern industry is illustrated at length by the Dennison Manufacturing Company.

MOONEY, JAMES D., and REILEY, ALAN. *Onward Industry*. New York: Harper & Brothers, 1931. \$6.

By two executives who state their theories of what big industry is and its relation to life.

NORWOOD, EDWIN P. *Ford Men and Methods*. New York: Doubleday, Doran & Co., 1931. \$2.

Enthusiastic description of the factories. Not critical, and omits labor questions.

HUTCHINSON, LINCOLN, editor. *Hidden Springs of the Russian Revolution*. Palo Alto: Stanford University Press, 1931. \$5.

The memories of the famous revolutionist, Katerina Breshkovskaia, dating back to 1873. "The Grandmother of the Revolution."

WEBB, WALTER PRESCOTT. *The Great Plains*. Boston: Grimm, 1931. \$4.

An economic and social history, written with a geographer's interpretation of the Western plains through the cattle period into the development of agriculture.

### POLITICAL SCIENCE

ALLYN, EMILY. *Lords Versus Commons. A Century of Conflict and Compromise*. New York: The Century Company, 1930. \$2.50.

A history ending with several possible solutions, of an old controversy. Excellent bibliography.

JONES, CHESTER LLOYD. *Caribbean Prospects and Backgrounds*. New York: D. Appleton & Co., 1931. \$4.

Professor Jones has already written authoritatively in this field. An excellent work.

LAVINE, E. H. "Gimme," or *How Politicians Get Rich*. New York: The Vanguard Press, 1931. \$2.50.

The writer is a New York police court reporter. He exposes almost unbelievable conditions in that city's political life.

### MISCELLANEOUS

COHEN-PORTHEIM, PAUL. *England, The Unknown Isle*. New York: E. P. Dutton & Co., 1931. \$3.

An analysis of many sides of English life by an Austrian who respects the country. A brilliant interpretation.

DIXON, W. MACNEILLE. *The Englishman*. New York: Longmans, Green & Co., 1930. \$2.40.

This analysis is by an English scholar. He shrewdly shows the Englishman to be a bunch of contradictions, one who has accomplished much and who will pull through the present crisis.

ERNST, MORRIS. *America's Primer*. New York: G. P. Putnam's Sons, 1931. \$2.

A rather sensational and not well written criticism of American life.

EVERMAN'S ENCYCLOPEDIA. New York: E. P. Dutton & Co., 1931. \$30.

The first two volumes of this new edition are now out; to be in twelve. The best work for the money. Up to date and amazingly inclusive.

FRAENKEL, OSMAND K. *The Sacco-Vanzetti Case*. New York: Alfred A. Knopf, 1931. \$5.

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KELLY, CLYDE. *United States Postal Policy*. New York: D. Appleton & Co., 1931. \$2.

History, description and possible development by a Pennsylvania Congressman, member of the House Committee on Postoffices and Post Roads.

SMALLWOOD, J. R. *The New Newfoundland*. New York: The Macmillan Company, 1931. \$3.

The development of a large area full of possibilities.

WOODRUFF, DOUGLAS. *Plato's Britannia*. New York: G. P. Putnam's Sons, 1931. \$2.50.

A satirical treatment of English life in social, political and other aspects. The author has published already a clever *Plato's American Republic*, recently reprinted.

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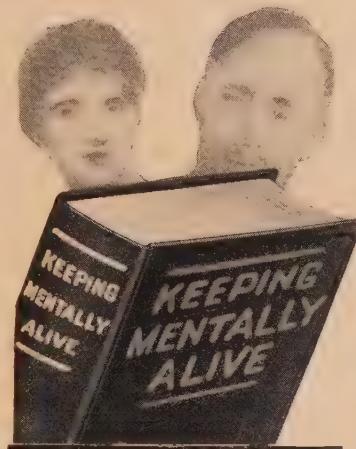
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# BOOKS OF THE MONTH

## The Trust Problem

By WILLARD L. THORP

Professor of Economics, Amherst College

*CONCENTRATION OF CONTROL IN AMERICAN INDUSTRY.* By Harry W. Laidler. New York: Thomas Y. Crowell Company, 1931. Pp. xvi, 501. \$3.75.

*THE MASQUERADE OF MONOPOLY.* By Frank A. Fetter. New York: Harcourt, Brace & Co., 1931. Pp. xii, 470. \$3.50.

THE trust problem is in the limelight again. And this time the switch was not turned on by enraged consumers, muckraking publicists or political aspirants, but by big business men themselves. The cry no longer is to curb combination or check monopoly, but to release industry from "the bonds and fetters of an antiquated body of legislation." Industrial leaders are clamoring for the removal, revision or temporary abandonment of the existing anti-trust laws.

That the public was placidly content with the existing degree of regulation is indicated by its calm acceptance of the vast number of mergers during the late years of the "era of prosperity." Now the pendulum is swinging the other way. Pointing to the current depression as an example of the evil which results from existing regulation, business men are claiming that stabilization can be accomplished by them if only they are permitted to organize each industry for the purpose of concerted action in the field

of price determination, regulation of output and control over new capacity. Congress, in its next session, will undoubtedly be called on to reconsider our entire policy toward industrial combination.

Two extremely important contributions to the subject have appeared this Autumn. The first, by Dr. Harry Laidler, executive director of the League for Industrial Democracy and long known as a tireless research worker, is an attempt to describe the American economic system in terms of the extent of concentration of control existing in the major fields. Dr. Laidler has ferreted out an amazing amount of data, yet he would be the first to insist that our knowledge concerning the many and devious channels of control is inadequate. One of the serious gaps is in the field of investment banking, where Dr. Laidler is forced to

rely in large part on data from the Pujo Report, dealing with conditions twenty years ago. But regardless of the incompleteness of the record, the demonstration of the development of concentration of control in recent years stands on a secure basis. The descriptive material cannot be summarized, but a profound impression is made as one reads of oil, steel, copper, power, automobiles, shipping, cigarettes, motion pictures and a host of others, each dominated by one, two or three giant corporations. To cap the development, there are the many trade associations which bring the little fellows together with the giants in a central organization.

The larger part of the book might have been written by any first-class, indefatigable, economico-statistical research worker; it is matter-of-fact, with no attempt to draw conclusions or point a moral, but represents an extremely important contribution to our knowledge of the nature of our economic system. Finally, Dr. Laidler, while carefully suggesting other points of view, indicates briefly what this trend means to him. In the first place, it means that regulation has failed. Anti-trust legislation has failed to prevent combination to the point of virtual monopoly; regulation of the public utilities has thus far proved ineffective. As to the economic results of the trend, Dr. Laidler finds wide variations in different fields, but judges the

resulting conditions to a large degree to be socially undesirable. However, of dominant importance is the fact that the trust movement is preparing the way for socialization. It has demonstrated that large-scale operation is feasible; it has assembled many units into single organizations simplifying the problem of assuming control; and it has divorced ownership and operation, demonstrating that the profit motive is not essential to economic activity.

Professor Fetter, for many years head of the economics department of Princeton University, vigorously defends the thesis that anti-trust regulation has been wrecked on the rocks of stupid legal prosecution and antiquated legal principles. The courts "became lost a

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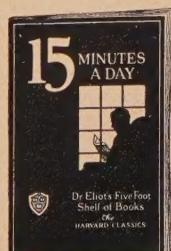
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by

CARLTON J. H. HAYES, Ph. D.

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Continued from Page IV

generation ago and have not yet been able to find their way out." He pleads for economic analysis and insight and then presents in most entertaining and lively fashion a masterly example of such reasoning.

The first half of the book works over the records of the attempts to apply anti-trust laws to oil, steel, copper and the trade associations. With telling emphasis, Professor Fetter again and again finds prosecutors failing to present, courts failing to remark and business men succeeding in concealing "the masquerader"—"the basing-point" plan of delivered prices. The most familiar form of such a price structure has appeared in the steel industry, known as the Pittsburgh-plus practice, which is used by the United States Steel Corporation in quoting prices on steel as if it were to be shipped from Pittsburgh. When the shipment was made from a nearer mill there was a handsome profit in the unused freight charge. For example, steel which was made in Duluth and was sold there, was priced \$13.20 above the Pittsburgh price; if the same steel was sold in Chicago, the price was only \$7.60 above the Pittsburgh price, even though it had been shipped approximately 500 miles. Competitors quoted similar prices, either through a general sense of well-being resulting from the large profits which were produced by following the leader, or from fear of being forced into a price-cutting battle with the Steel Corporation. The result is a price structure which is non-competitive. To be sure, no one corporation has a monopoly, but the customary price practices among all the corporations in the industry is clearly a "combination in restraint of trade." So Professor Fetter finds monopoly very real in all those industries in which a basing-point plan of delivered prices exists, for monopoly enters as soon as competition is in some degree limited.

The price control which has and does exist is not to be scored solely on the basis of the fact that it was profitable to the conspirators and costly to consumers. It has enabled inefficient producers to survive. It has permitted antiquated plants to continue operation. It has encouraged undue expansion. It has built up large stocks of goods. It has resulted in over-capitalization of existing properties. In a theoretical section Professor Fetter describes the historical development of markets and of competitive prices. Such markets must be created again. He carefully demonstrates that delivered prices are not the result of a "natural" evolution but that they developed rapidly about 1900 during a period when the attempt to find a lawful method of obtaining

Continued on Page 316

# How do you know you can't WRITE?



"Sold my first short story the other day. Last summer an old lady told me a happening of pioneer days which interested me. I wrote it up, and that's the result. You can understand that I'm delighted, even though the cheque was not large."—Miss Alice S. Fisher, Eyebrow, Sask., Canada.



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"My first big thrill came last month. An acceptance slip! The check that followed was not large, but I got a real kick out of it just the same, for it proved that I can write printable stuff."—L. A. Emerton, Jackson St., Hanover, Pa.

"I have succeeded in selling a short story to 'War Birds,' aviation magazine, for which I received a check for \$100. The story is the first I have attempted. As the story was paid for at higher than the regular rates, I certainly felt encouraged."—Darrell Jordan, Box 277, Friendship, N. Y.

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